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Escaping 1980
Episode 6 – Stability

Brent Gloy: A few years ago, I would say we were really close to a period of stability where farm returns aren't great, they're not horrific.

David Widmar: The fundamental long-term outlook is still strong for agriculture. The short run has some challenges.

Brent Gloy: Most farmers spend most of their career in stability in one form or another trying to recover from the downturns.

David Widmar: We hope that we're in that recovery, we're going to quickly go back to a stable period, but we don't know.

Sarah Mock: I've been thinking a lot recently about the meaning of the word "reorient." The entomology breaks down to "re" meaning back or again, and "orient" meaning of the East in reference, particularly to the rising sun. Reorient has a second and less common meeting too - to rise again. We've reached the part of the story of the 1980s' farm crisis, where we have to find out how the farm economy reoriented itself after the glorious sunshine of the 70s, the dark storm of the peak crisis, and the pitch-black night of the 80s. The sun did eventually rise again on the U.S. ag sector. And if we're going to find our way beyond the next farm crisis, we're going to have to know what direction we took back then and whether that's still an escape route that works.
This is it. We're doing it. We're escaping 1980. I'm Sarah Mock. Today we're going to put the crisis of the 1980s to bed. We'll understand how the farm economy clawed its way out of peril and evaluate how close we are today to achieving that same end - stability. In 2020 stability feels like a pipe dream. It's almost hard to remember what stable, ordinary life used to look like before the social, cultural, and economic upheaval that seems to have reoriented our country in countless ways. Let's start there. What exactly does stability mean in the farm economy?

David Widmar: So, the last big stability period we had in agriculture was really 1990 through the early 2000s. And I like to help producers think about stability periods like this, is you know, you're in a stability period, when you can change your crop budget from the year before and you can update it by just changing the date because costs of production, don't change a lot, farmland values aren't changing a lot - even if we had a drought or a big year, we know it's going to revert somewhere around $2 a bushel, somewhere in that timeframe. So, we call it stable because there's consistency, it's not a great time, but it's not a terrible time. We have supply shocks or weather shocks during these periods that might give us temporary

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adjustments in the supplies, and that could give us a favorable price or an unfavorable price, but they resolve themselves quickly in usually a year or in today's case, South America can increase soybean production within six months.

Brent Gloy: If you look through all those cycles, these periods of stability, I think last normally somewhere between 9 to 15 years.

David Widmar: It's closer to 20, yes, 10, 20 years.

Brent Gloy: So, most farmers spend most of their career and stability in one form or another, trying to recover from the downturns that the infrequent booms have caused.

Sarah Mock: Though farmers will spend decades on end in this technical economic stability. That doesn't mean that prices won't shift even significantly over that period.

David Widmar: Price stability is always relative and so we see a relatively more stable periods during the stable eras. So, that doesn't mean we don't see prices move. That doesn't mean we don't see farmland values or inputs change. What it means is that if you look out over 20 or 30 years of data, or your entire career, there's going to be a lot of flips up and down during the stable period, but the big movements are going to happen during those boom-and-bust parts of the cycle. I think it's important to keep in mind with a stable period what's directly in the rear-view mirror behind us is usually a bust. Okay, so we're trying to recover. So, we're trying to recover financially on our own operations. We're trying to get the oversupply, the high ending stock situation under control. And so, technology can help us and it's increasing supply that's the higher yields over time, that intensification, that pushes things along. And so, in the stable period, we're sort of playing off that steady, but slow increase in demand over time and that's typically going a little bit faster than the supply increases that we see over 10 or 15 years. But in general, we have more supply available than we have in demand right up to the point we hit that boom side.

Sarah Mock: But stability doesn't just appear after a boom or bust either. Remember a decade of low real interest rates had encouraged farmers to rack up radical levels of debt. And what took years to build would also take years to unravel.

David Widmar: The other thing that we saw start taking place in 1985 and took the rest of the decade of resolve, until about 1990, is a big de-leveraging of all debt in the sector. And that took place in the last half of the decade. And we spent the 90s at a pretty consistent level of farm debt, which was much lower than we were in at the beginning of 1980.

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Brent Gloy: It takes time. It takes time for too much debt to be taken out of the system, so we saw farm debt drop dramatically from its peak in 1981 to its bottom in roughly the early- to mid-90s we bottomed in roughly '92. So almost 10 years at about 225 billion. So not quite falling by half, but awful close. It took that long to kind of work its way out of the system. The other thing though, if you can stop expanding production dramatically, quit adding acres of production into the system, demand grows, and demand grows because population grows, and incomes generally grow over time, and as people get more money and as we get more people, they use more agricultural products. And so, it took a while for that system to recalibrate into an equilibrium where things were stable again, and that took 7, 8, 9 years worked through the system. Eventually you get there and then you're operate in an area where prices are roughly consistent with the cost of production. Farmers don't make a lot of money; they make a little bit of money. Government payments generally come in and help stabilize the situation, but we had to get out of this expansionary phase. We stopped expanding in the mid-80s and it just took time to work through.

Sarah Mock: And again, that was the slow walk to stability even with policy intervention.

David Widmar: So, you had time working, you had that some policy efforts that were going on demand was of course slowly taking up during this time. So, it's hard to pinpoint and say, "Yes, they definitively worked." Or "No, they definitively not work." But there are elements of this that did contribute to the positive side of the ledger. So, about 1989 was the first time net farm income gets back up to the long-run average, which is that start to that recovery or that stable era that we see. For context, farm income hit its low in 1983. And so, we started recovering there and it took to about the last part of the decade to get that back to where it was. And so, the combination of those factors started to get the farm economy back into shape and starting to improve.

Sarah Mock: These two factors in particular - the market driven reduction in farm debt and the farm policy that aided that transition represented a paradigm shift that would not only come to define this moment in farm history but continues to define the ag economy today.

David Widmar: In 1980, after the Carter administration imposed the embargo, there was a lot of budget pressure to not idle acres. And by the time we left the decade in the 1990s, we had a policy on the books that was going to pretty much ensure 30 million acres were consistently idle through the CRP program with all the environmental benefits, but that was going to stay on the books for a long time. Those were 10-year contracts at the beginning. And so, it was just interesting to see how policy is part of how good of a solution is it, but it's also how big is the problem you're trying to solve? And by the time we moved through the middle of the decade, we were solving really big problems.

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Sarah Mock: But we did eventually get there. Throughout the decade of the 1990s farmers and others in the ag sector finally started to feel like perhaps the worst of the crisis was behind them. But it's worth noting that part of the thing that made that possible was not market stability but government payment stability.

Brent Gloy: Those were, I call the government payment era. We had massive farm program payments during those years of stability. In fact, a lot of farm net income came from government farm program payments in the 90s. The difference today is that we don't have programs that are written to be as lucrative as those programs were. And whether we'll get them or not is open question, but I never forget - when I was at Purdue in roughly 1996, 97, they came out with a new farm bill. It's called the Freedom to Farm Act, and they had a panel discussion on that at Purdue and had all these people in and really distinguished speakers, Purdue alumni that it worked with the highest levels of policy, and government, and industry talking about this was going to be the last farm bill. Freedom to Farm was sold as the last farm bill and Earl Butz, who at that time was probably in his late 80s, was in the back of the room and he stood up and he said, "Hey, you guys did a great job explaining all this stuff, but if you really believe this is the last farm bill, I guarantee you believe not only In Santa Claus, but the tooth fairy, and the Easter bunny." So, I guess the one thing I've taken away from that is people that kind of call the demise of farm program payments. History would suggest that they're pretty persistent.

Sarah Mock: Butz was right. Farm bills have been persistent and there's no end in sight. The current farm bill is still providing significant price support to farmers in the farm economy. But there's more than that too.

David Widmar: The difference between the late-90s and early-2000s, which were farm payments between $20 and $30 billion in today's terms. That was a farm bill, and these are ad hoc now. These are kind of cobbled together by the USDA year to year, and they're waiting for Congress to refund the CCC and I think that's the big challenge that we have today.

Sarah Mock: According to Brent and David, today's farm economy is somewhere near this flat plain of stability. And perhaps just like in the 90s, federal programs are a big reason farmers find themselves there. But as is always the case with stability there are many factors that could shake it and eventually undermine it.

David Widmar: We hope that we're in that recovery [that] we're going to quickly go back to a stable period, but we don't know there are still a lot of uncertainties and 2020 has thrown even more uncertainties into the pile that we have to sort through. Part of this is global acres. Have we made, been able to maintain a pause on global expansion of acres? What's going to happen with China and the trade situation? And will China one, continue to be a growing market for

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global ag products? And two, will the U.S. be able to maintain some level of market share and access to that market? And I think the third part of this is ag policy and ethanol, and what's going to happen on that space with respect to COVID and the global economic slowdown.

Sarah Mock: This is the fascinating reality of making the show today in 2020. The peak of farm prices and the early 2000s was going to lead to a fall because of factors like big global acreage and high production. We knew that, but what was essentially impossible to predict was these other phenomenon - the trade war, administrative shifts in ethanol policy, and a global pandemic.

Brent Gloy: Two years ago, I would say we were really close to a period of stability where we were operating in a time period where farm returns aren't great, they're not horrifically bad. But we've had a couple of big shocks, and the first big shock was the trade war with China, who is our number one ag customer, particularly for soybeans. And then we've had the pandemic. And so, I think those two things have taken us to a point where I'm not a 100% sure where we're at right now. [In] my opinion, we're headed to stable period where I expected acreage increases to stop happening and we kind of tread water here, and we jump around. We have a bad crop and prices go up, and we have a good crops and prices come down, and we're kind of in stability - demand is steady, relatively strong. But with the trade war that really threw everything into a loop, right. And so, you have a country, China, and 60% of all the soybeans that get sold on the world market go to China and we grow a lot of soybeans in the United States, and that caused a lot of turmoil. And then the pandemic also has kind of caused a lot of issues. I think there, the question is what is it going to do in the long term to financial markets? Particularly interest rates in the long-term, in the short-term they're lower, a lot lower. And the value of the dollar is another thing that's probably going to be impacted in the long term from all of the policy response we've had to the pandemic and in maybe in a favorable way for American ag exports, but it's really hard to know.

Sarah Mock: But even with these uncertainties, Brent says he still believes U.S. ag is on its way to stability. Brent's optimism isn't baseless either. The fact is 2020 will be one of the best farm income years since 2013, the peak of the boom, and because of ad hoc, federal payments, farm incomes in the last three years have been strong despite the adverse demand shock stemming from the trade war and the pandemic. In some ways, this points to the underlying strength of the farm economy, which, as we know, is not really the strength of the farm economy at all as much as it is the strength of the overall economy. Or even more specifically, low interest rates and low inflation are the source of that strength, which has led to relatively stable farmland prices. But…

David Widmar: There's always the production risk, right? There's always the luck of the draw that's out there. So, one of the factors that was going on between 2014 and 2018 is we had five

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years of above-trend corn and soybean crops in the U.S. and that was really challenging. It was adding to too much supply relative to usage. It was already compounding that. So, there's always the broader cycle - there's the booms, there's the squeezes, there's the recoveries, and there's the stabilities. Anytime you're one of those phases, you always have the risk of supply shocks – either big crops or small crops. And in 2012, we saw that we saw how a supply shock when you're in the boom part of the cycle and there's a lot of demand out there, how explosive that can be to the upside to commodity prices. And I think that's one of the situations that played out in the 80s - there was a lot of acres out there and, aside from 1983, they also had some pretty big crops out there as well. And so, they were trying to manage that. And so, that'll be something we have to manage through, and you're sort of always rolling the dice on that. In 2019, we had a big prevent plant situation. We had another big prevent plant situation in 2020, and that has been helpful in helping us work through those ending stocks situations and work those lower. But who knows what 2021 has in store? But broadly speaking, we still have big questions around demand and we still have a pretty big global agricultural factory. And the factory is probably a little big relative to how much we're using here in 2020.

Brent Gloy: In agriculture you always have a potential for supply shocks, and I think we can live with those. They're usually not. Long-term in nature. This is not to say we couldn't have something where we ended up with a huge supply shock that's like permanent. Some new disease or something like that, that would significantly reduce the ability of agriculture to produce ag goods. But history, I think, would suggest that those, you know, I can't think of any off the top of my head, any of them that have lasted for more than a year or two. And so, those are what worry me. The things that I think we don't see, the things that could potentially cause big problems are usually either on the demand side - some kind of a trade problem or a change in policy that greatly impacts demand, say for biofuels. Or any other big kind of demand side things I think are the harder ones. But then the other big thing that is really risky for agriculture as we have no control over it is something really external in the economic environment, like an interest rate change, or inflation changes. Those can really throw the sector for a loop, and those are the ones that I think caused the biggest long-term adjustments and the biggest problems. And that I think is part of the lesson of the 70s. It was a combination of changes on the demand side, as well as just some big macro-economic shocks that are out of the blue. And so, those things I think are always lurking out there. And yes, they're very hard to predict. Right now, it looks pretty good to kind of moving into some kind of stable situation. But if you start, you know, monkeying around with ethanol in a big way, or biofuel policy in a big way, or a trading patterns in a big way, then everything's up for debate again. We're always searching for that kind of concept that economists love to talk about - equilibrium - that we never really get to, right. It's this idea that everything is kind of balanced and supply is balanced, and demands are stable, and we know where it's going, but it's not one that we ever spend much time in kind of stable kinds of situations.

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Sarah Mock: This concept of economic equilibrium, which is closely tied to stability has a lot to do with the economic distinction between the long run and the short run. It can be hard to understand what economists mean by the long run, because it's a nebulous idea. It might mean in six months, or five years or, 10, or a hundred. Maybe an easier way to think about it in the long run, we're all dead. Our collective eulogy, right after this word from our sponsor.
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Brent Gloy: There's a lot of content, a really cool decision-making tool that can help people get better. And I really enjoy writing the stuff as well as reading the information that's in there. The What We Are Thinking About memos - they take topics that like, "What is science?" And "How to evaluate models," and put it into, you know, 1,000 words that I think really can help people understand current situations. The community aspect of ag forecast network, I think is really powerful because you can see not only how you forecast a question, but how well you did in relation to all the other people that are in the network forecasting the same question. And you know, I think we can learn a lot from this community of forecasters and it's really a powerful kind of network and tool to use.

David Widmar: If you come to the site today there's a whole lot of features, and benefits, and values that we create. And then if you step back and think about the pipeline of things that we're working on, that's the exciting part, right? I want to see Brent's forecast on this question, and I want to see the note he left to himself, and I want to see the articles he's tagged as relevant to this question. And those are the features that we're working on. And so, it's always about moving the ball a little bit to, how can we improve our thinking? How can we take our thinking and make it a little bit better?

Sarah Mock: If all of this makes you want to hang out, excellent. Learn more aei.ag, - AEI Premium, cultivate your thinking. And now back to the show.
Okay, so it was John Maynard Keynes who coined this idea that in the long run we're all dead. He's an economist for whom you might have some vague name recognition. Sidebar -there's a great **Epic Rap Battles of History** where he battles economist, Friedrich Hayek. I recommend you Google it. In a lot of ways farmers owe a debt to Keynes. His economic theories defined the ideas that encourage governments to spend and save and response to booms and busts and the economy. But what did he mean when he said that thing about us all being dead in the long run? It's up for some debate. And though some say he's making a sort of seize the day type argument. Most agree that in reality, he's making a pitch for federal action. Many old school economists from before Keynes' time often made the argument that left to their own devices free markets will eventually return to a stable equilibrium, where supply and demand are in balance and prices are relatively consistent. This equilibrium, it argued, is inevitable in the long run. But the problem with this kind of classical economic theorizing is, it's no real skin off an

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economist's nose if the long run never comes. All that matters is that it should come according to these specific models. But this discrepancy between economic models and economic reality is exactly what Keynes was addressing. He argued that people can't wait for some prophetic long run to live their lives in a healthy economy because it might take years, decades, even centuries for that time to come, or it might never come. And in the meantime, while the market oscillates around the equilibrium swinging freely, the economic carnage could be extreme. These arguments should be familiar to anyone in agriculture today. We invest in foreign policy and payments ostensibly, because if ag markets were set free, America's food producing infrastructure might be irreparably crippled or totally disappear before natural or free market stability is reached. So, we use government funds to create artificial stability, and it comes at a cost.

David Widmar: We don't have a lot of tools to help us navigate a scenario where we might have demand contracting for a few years in a row and that's kind of one of the challenges we face today, right? We're using less ethanol; we're exporting less corn and soybeans around the globe, and, in the meantime, ending stocks are piling up and we're still planting the same amount and we still have yields on average trending higher each year, and that is a challenge. Now it's probably more of a short run challenge because it's not a huge contraction, but it is a challenge that we have to work through. And it is the challenge we're working through today. And it was a challenge that we were working through in the 80s as well.

Sarah Mock: Artificial stability allows the ag sector to avoid rampant, farm bankruptcies, tractor marches on Washington, and some rural economic decline, but it also enables farmers to ignore the economic signals that say, "Stop producing" even when stocks are continuing to balloon. Ignoring those signals leads to overproduction. And what's happening today with overproduction is not dissimilar to what happened in the 1980s. The difference may well be that at the close of that decade and the start of the next, new international ties required the U.S. to rein-in over production and the price supports that led to it that was flooding the world market with too many commodities.

Brent Gloy: That was the root of the problem – there was just way too much supply and they weren't trying to come up with ways to figure out how to get out of it. And a part of it was through these kinds of interventions. Of course, prior to that point, trade is not nearly as routine or as endemic as it is today. The World Trade Organization comes along and creates a lot of rules. I think the GATT agreement was done in the 90s, a General Agreement on Tariffs and Trades, trying to put in place ways to protect trade. And so, trade after the 80s becomes a driving factor in the farm bill. The farm bill is always trying to figure out, "Well, how can we support our domestic agriculture and get high prices without violating the terms of these trade agreements that we have in place." Which are designed to say, "Well, we don't want in a trading system is to have one country heavily subsidize their commodities and then dump it out

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on the free market for the benefit of all these other countries." Cause then it disadvantages farmers and other countries and all this kind of stuff, but at the same time, though, it does create really low. Food prices for everybody, but it certainly disadvantages farmers in regions that aren't the beneficiaries of these favorable programs. So, the, I think the shift really started to take place after in the 90s, toward those programs that were compliant with the trade agreements.

Sarah Mock: Today, the underlying supply issue is not being addressed and it's actively growing, and we've disregarded many of our international trade commitments over the last four years. And unfortunately, there's no shortage of misleading narratives that perpetuate this particular stability, that trades oversupply for high government payments and exports are damaging abundance to the world. All ostensibly with the justification of cheap and abundant food.

Brent Gloy: People have got to buy food. They have to have it. Yes, but we probably don't have to have 15 billion bushels of corn in the United States to satisfy those conditions.

Sarah Mock: It might sound a little odd to say that we likely need less food than we're currently producing. Isn't more, always better? Wouldn't that make more food, even cheaper and more accessible to more people? The answer in the data is no. Firstly, it's worth considering that nearly 30% of total corn stocks are used for ethanol, which is not a food product. Beyond that, of the corn and soybean crops that dominate U.S. acres, very few of those are directly consumed by Americans either. About 60% of U.S. soybeans are exported as livestock feed and the largest destination for U.S. corn is also livestock feed though domestically. The low price of commodity corn and soybeans, which goes to livestock feed would have us believe that the price of meat, at the very least, would have declined for consumers over recent years as commodity prices declined, but that hasn't been the case. And despite billions of dollars of federal payments directly to commodity grain farmers, consumer food prices have not changed significantly because there's a lot more that goes into consumer food prices than just the base commodity price. All that to say, the commodity prices that farmers receive and the amount of corn and soybeans they produce is not closely linked to food affordability or accessibility in the United States as the phrase cheap and abundant food implies. There are still a lot of food insecure people in the United States, despite how long commodities have been as cheap as they are. The idea that the reason that the federal government supports farm incomes is so that they can continue to produce an affordable and abundant food supply is undermined by the very fact that making those payments has very little direct impact on the price of food and very little effect on the actual numbers of food insecure people in the United States. So, we'll put aside as totally misleading the idea that today's huge farm payment programs to commodity grain growers is somehow about reducing food insecurity, because it's just not. But before we pass any unfair judgments on our current food economy, let's follow our own blueprint and backtrack to understand how we got here.

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David Widmar: So, I think when you look back and when they wrote the 2014 farm bill, which implemented the ARC and PLC program, smoothing was definitely on the front of everyone's mind. And It's always hard to know what exactly policy makers are thinking of, but it was clear that commodity prices were going to stay this high forever. And so, there was going to be some sort of smoothing. The thing is the challenge with smoothing is you don't know where the bottom is. You don't know exactly where you're going to land, and it can take a long time to get there. And that was going back to the 2014 farm bill. And then when we get to the 2018 farm bill, we're still in this adjustment, but we haven't really, truly hit equilibrium. And Oh, by the way, now there's a trade war. And they passed the 2018 farm bill in December of that year. And we were six, seven months into a trade war. And what do you do when you smoothed the transition, but now the end of the transition is still at a place that's painful? I think that's been one of the challenges. We have all sorts of tools, but systemically low commodity prices or farm income is a hard one to fix.

Sarah Mock: Part of the reason they're so hard to fix is because the policy solution to the short-term goal of improving farm incomes is the very cause of the long-term problem. See, from a coldly economic perspective, the problem with supporting farm incomes is that it keeps farmers doing what they're doing - growing more crops year in and year out. But too many crops are the long-term problem. Sure, in the long term, we'll all be buried under an unconfinable mountain of corn and soybeans, but that's not actually the only risk. Federal payments, which are the main thing currently standing between the farm economy and a 1980s-level crisis won't necessarily go on forever at least not at the current levels. Different administrations, different national priorities, different personalities at the White House, the Federal Reserve and Congress, all of these can turn the political tide kind of at any moment and it's not unheard of for agriculture to get caught in the middle.

David Widmar: One of the questions we have to keep in mind between now and the next farm bill is how long are these ad hoc farm programs going to stay into place? And not just the CCC funds, right? The CCC funds was one of the waves during the trade war, these MFP payments.

Sarah Mock: The CCC is the Commodity Credit Corporation. That's the tool that the USDA used to send $28 billion in direct payments to farm producers between 2018 and 2019, ostensibly in response to trade disputes that reduced ag commodity exports. These were called MFP - or Market Facilitation Payments.

David Widmar: But now we have the CARES Act, right? Which provided some PPP money to producers, but more specifically provided the CFAP program.

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Sarah Mock: PPP is the Paycheck Protection Program, the 2020 federal payment program to get employers who had been negatively impacted by COVID funds to keep their employees on the rolls. But the much bigger COVID response program for farmers was CFAP or the Coronavirus Food Assistance Program, which sent an additional $30 billion in direct payments just in 2020 in two different waves.

David Widmar: A large part of the CFAP program was funds coming out of a nontraditional farm bill. And now the CARES Act that's in the House has this SHIPP program that [has] additional funds for the ag sector. So, I think we need to see how the next few years rolled out, but how this ad hoc attempt, whether it be Congress passing various stimulus bills, but also use of CCC funds. That's going to be, how do we get to the next farm bill? And then when we get to the next farm bill, I think there's going to be some questions about what level of funding is deemed appropriate for the farm sector. If you look back over time, there are periods of pretty big contributions from the federal government in terms of direct payments, and there's times where it's a much smaller number. And we've left a period of much smaller around $13, $14, $15 billion, and now we're approaching $40 billion today. So, I think, where is the state of this farm sector, when we get there? And that starts to determine what sorts of programs come into place.

Brent Gloy: One other thing looking forward, that's going to be a challenge is that the government has spent a lot of money in just the last year. We've had massive stimulus programs and we're talking about more, additional, big stimulus programs, whether those actually come to fruition or not, is as of yet to be determined. But the thing we know is that eventually that will put pressure on the budget going forward. And another interesting thing that's happened in the last few years is that, I think, the commodity programs have been expanded to other commodities. We saw ethanol producers wanting part of the stimulus program. We saw payments going to farm groups that hadn't gotten payments in the past. And so, it seems to me that there's a likelihood that the total payment pie that's available will shrink and it will also be divided into more slices going forward. So, that's something to think about as we move forward, because if you go back into the 80s, it was still very much commodity driven payments, base acres, and all of this kind of stuff that really drove all the payments. And I think this time it feels a little different to me coming out of this current situation.

Sarah Mock: This is another key point. In the past, federal programs have been focused primarily on around two dozen commodity crops, including several grains, cotton, dairy, and meats. In the most recent CFAP program, closer to 300 different commodity crops were eligible. That's a genie that likely can't be put back in the bottle. As we've seen, once farmers start to receive federal funding it can be really hard to cut them off, especially if other similar crops within the sector continue to benefit from them. By the time the next farm bill rolls around, the U.S. we'll be in a different place socially, politically, economically, and environmentally. Many

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indicators would suggest that stabilizing farm businesses above all else may not be a top priority in the future.

Brent Gloy: A lot of the challenges have been created because policymakers have wanted to support farm income. And so, if you go back to the early 80s, what they were doing was they were just buying commodities and spending a lot of money and so that wasn't sustainable because we were on a huge government deficit at the time. So, they came up with the PIK program as a way to get out of spending money. "We'll just give you some of our government reserves, we've already paid for it. We'll give you a certificate. We'll just give it to you and then you can sell it and do whatever you want with them. Get it out of here." And in some ways, we're back to the same old situation. We ended up with too much stuff and we've got to figure out a way to get rid of it.

David Widmar: I guess the next farm bill is a 2023 farm bill? So, I think when did the negotiations of that start? I think that's going to be a key question. There's a lot of uncertainty in the 2020 about the political landscape heading into that. And I think something else to keep in mind is the 2014 farm bill was subject to sequestrations and so those payments were reduced because of this overall environment that we were in at this timeframe to limit government spending. We were dealing with a deficit coming out of the Great Recession. So, there's, what's the challenges facing the farm economy? What's the general climate of the government with respect to deficit spending and reducing the deficit? And then after the bill is pass, is there some sort of sequestration to, again, limit how much of those programs make it out the door?

Sarah Mock: There's another kind of tongue in cheek idea in economics, or maybe I should say outside of economics - everyone is looking for a one-handed economist. Why? Because economists are always saying, "On the other hand." That's what's so unsatisfying about talking to Brent and David about today. They start by saying, "I'm pretty sure we're in a stable period, but." There's always a, "but" there's always caveats, always another hand. In various ways throughout this podcast, we've tried to tackle that question of whether anyone - farmers, policy makers, economists, whoever - understood what was happening in the 1970s and 80s while it was happening or whether they were totally caught unawares. It's an important idea to consider because if they didn't, then we can figure out what they did wrong, what they missed, so we can avoid those mistakes. The scary prospect to consider is whether they couldn't know. Whether the outcomes of that time were just so unpredictable that they have no way of reading the signs to understand what might lie ahead. It's possible that that is true, but we expect that it's not. In a lot of ways this whole exercise, why you've probably stuck around for six long episodes, is because you, like us, believe that it is possible to know, even if, when we say "know," what that means is not that we had 100% certainty of the outcome, but that we knew that a given outcome was a possibility. In other words, we know things are changing and

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changing fast. We know that the reorientation of the farm economy is not over. It's only just begun. The weathervane is spinning where will it point when it stops? That's next time on Escaping 1980.

Brent Gloy: Thanks again for joining. David and I would like to thank the people who've made this episode and podcast series possible. First, the subscribers on AIE Premium. Second, a huge thanks to the show's series', producer, editor and co-host Sarah Mock. Finally, the rest of the AIE team, this team has been working remote since, before it was popular. Special thanks to Megan, Sarah H., Jeff, and Aerin.

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