

Hello Everyone,

Sometimes things don't make sense. Then, you get one small piece of information and suddenly everything falls into place.

Today's missive is about one of those suddenly-moments. And, the subject at hand is crops. Yes-siree (as they say down south)--- it's time for one of our periodic agriculture updates.

I hope it gives you a glimpse into a world many of us city-types don't experience.

Signed, Your Go-Army-Beat-Navy-This-Weekend Financial Advisor,

Greg

KKOB 12.13.2019 Farm Report Update

Bob: So, Greg, three or four times a year, you talk about the agriculture sector. It's basically a crop report...and it makes me feel like I'm traveling across Nebraska listening to AM radio.

Greg: I know, it's fun. And food affects us all. So, let's recap some of this year's ag headlines---but prepare for a surprise ending.

First the spring weather headlines:

- *Record Floods Submerge Midwest*
- *Farmers Delay Planting Until Mid-June*

Then in the Fall:

- *Early Freeze Halts Corn and Sorghum maturity*

- *Corn and Wheat Harvests Could Fall 30%*

Bob: OK, wait before you go on. You warned us this could happen in the spring. The floods basically hit frozen ground and the water had nowhere to go. So, millions of acres became mud bogs. The farmers needed a long-dry summer and fall, but that didn't happen.

Greg: Right. So, you didn't need to study *The Farmer's Almanac* to know the weather would adversely affect 2019 crop yields.

But besides the weather, farmers had to deal with the tariffs. So, let's look at some of those headlines:

- *Amid Trump Tariff's, Farm Bankruptcies Rise Again*
- *Farmer Suicides Rise*
- *Farmers' Despair Pushes States to Act*

So, Bob, with all this negativity you might think the following:

1. Farm incomes must have collapsed; and...
2. President Trump's 2020 reelection efforts must be in big trouble in the mid-west.

Doesn't that seem rational to you?

Bob: Well, sure. I mean no one is going to blame the President for the weather, but... well wait. The far left will blame him for climate change, but they blame him for

everything, so let's not go there. Still, the weather isn't under his control.

However, the tariffs are different. He had control over that. So, if farmers suffered because of lost revenue from exports----that one is on him.

Greg: You're right. Anyway, irrespective of blame, when you consider this one-two punch of weather and tariffs, you'd naturally think the worst for farmers.

But if that were true, how do you explain these headlines from earlier this week:

- *Contrary to Conventional wisdom, Farmers are Having Their Best Year Since 2013.*
- *Net Farm Income up \$8.5 billion (10%) over 2018*

Bob: I don't know. That doesn't seem right. There must be something else at play. Are farmers charging a lot more money for what they did harvest?

Greg: I see your train of thought, but no. It is something else. Farm subsidies.

According to our government, 2019 Federal-direct farm program payments are expected to be (dramatic pause) \$22.4 billion. Bob, that is a 64% increase over 2018---and record for this decade. Those billions go straight to farmers and big agriculture companies.

So, anyone thinking a farmer revolt will lead to a sweeping Democrat victory in 2020

isn't paying attention. That's not to say mid-west States won't turn blue and vote Democrat, but it won't be because farmers lost revenue due to the tariffs.

Bob: But wait again. What about me? I'm not a farmer. As a consumer (and as a taxpayer) I'll feel the sting two ways.

I mean, crop yields are still down, so prices will rise at the grocery store. And the national debt will increase because billions went to the farmers.

Greg: Sure. Of course, the administration will argue farm subsidies have ebbed and flowed for decades. So, this isn't just a President Trump thing.

As an investor though, you can cushion the blow by connecting the dots. You're right. It makes sense food prices will rise. And, what about fuel prices? Ethanol comes from corn. And ethanol goes into our fuel.

Anyway, that hurts as a consumer. But as an investor, you want to be where prices are rising.

Oh, and looking farther out, you don't think you have to be Nostradamus to anticipate how this will ripple through to the inflation statistics in 2020.

Bob: I can see inflation already. Prices are higher and packages smaller.

As usual, I liked the crop report. I just need a piece of straw to chew on and I'll be good to go. How do people reach you?

Greg: Yeah, I can see you sitting behind the mic with Francina saying, "*Take that stupid piece of straw out of your mouth.*" Oh, and, my number is 508-5550. Or, go to my website at zanettifinancial.com

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