

The background of the slide is a light gray gradient. It is decorated with numerous realistic water droplets of various sizes. Some droplets are at the top left, some are along the right edge, and others are scattered at the bottom. The droplets have highlights and shadows, giving them a three-dimensional appearance.

CHALLENGES FACING AGRICULTURE SHAPING THE FUTURE

DARREN HUDSON, COMBEST ENDOWED CHAIR

TEXAS TECH UNIVERSITY

PERRYTON EQUITY EXCHANGE BOARD RETREAT

JANUARY 13, 2016




LET'S START WITH A QUESTION

- WHAT DO YOU THINK IS THE SINGLE MOST CRITICAL ISSUE FACING AGRICULTURE TODAY AND OVER THE NEXT 10 YEARS?
- 



OVERVIEW

- MACROECONOMICS
 - DOLLAR APPRECIATION
 - INTEREST RATE INCREASES
 - ENERGY PRICES
 - GENERAL ECONOMIC CHANGES
 - RESOURCE MANAGEMENT ISSUES
 - WATER
 - REGULATORY ISSUES
 - EPA AND WATERS OF THE US
 - PESTICIDE APPROVALS AND RESTRICTIONS
 - CARBON POLICIES
 - FARM POLICY
- 

DOLLAR APPRECIATION



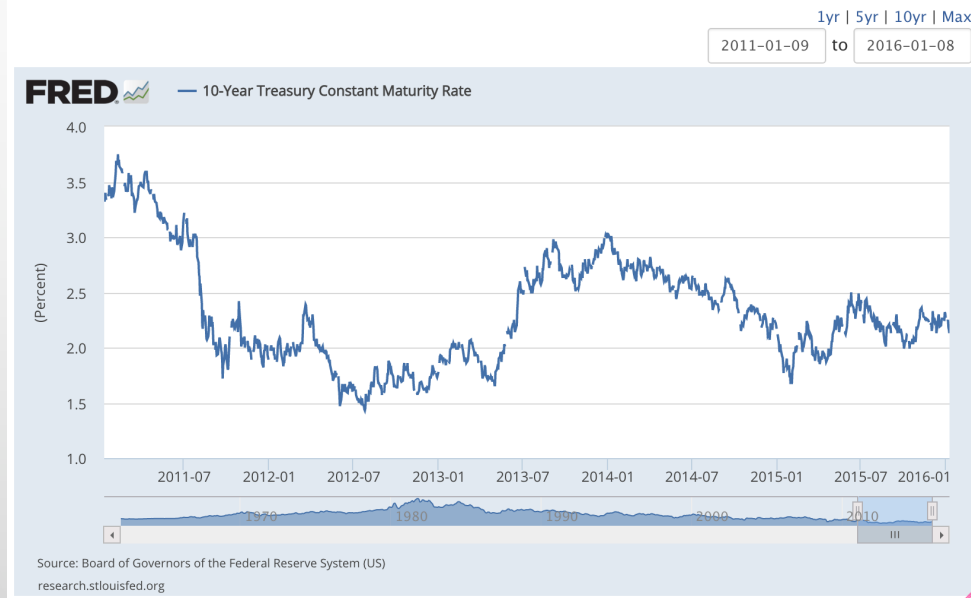
The dollar value index over the last 4 years compared with the commodity price index over the last year.

INTEREST RATES

10-Year Treasury Constant Maturity Rate

2016-01-08: **2.13** Percent (+ [see more](#))

Daily, Not Seasonally Adjusted, DGS10, Updated: 2016-01-11 3:47 PM CST

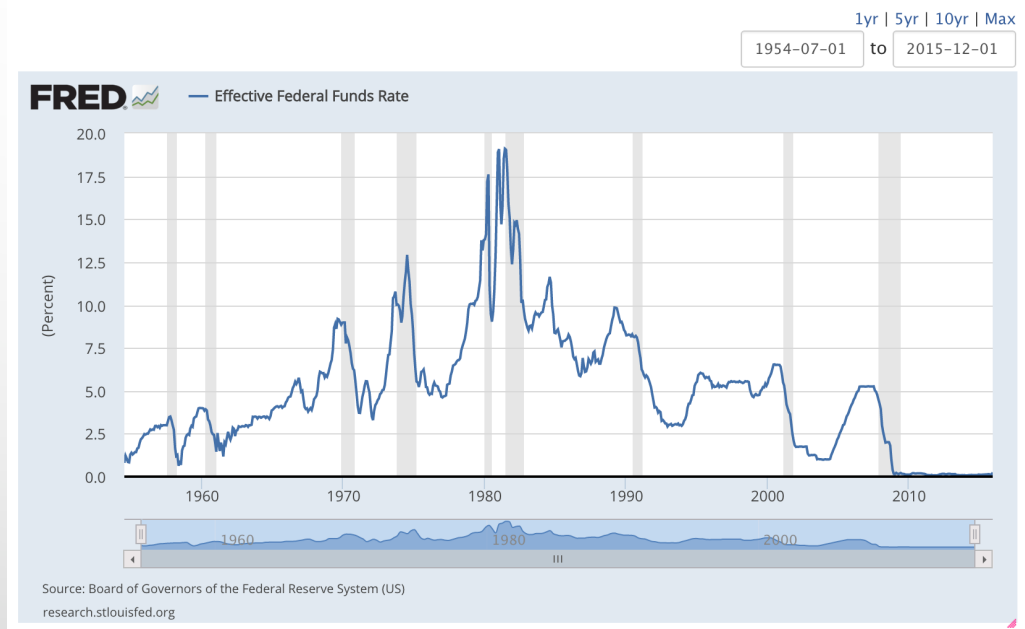


A long way to go to pre-recession levels...but,
borrowing decisions are made “at the margin,” not the
level of interest rates.

Effective Federal Funds Rate

2015-12: **0.24** Percent (+ [see more](#))

Monthly, Not Seasonally Adjusted, FEDFUNDS, Updated: 2016-01-04 3:47 PM CST

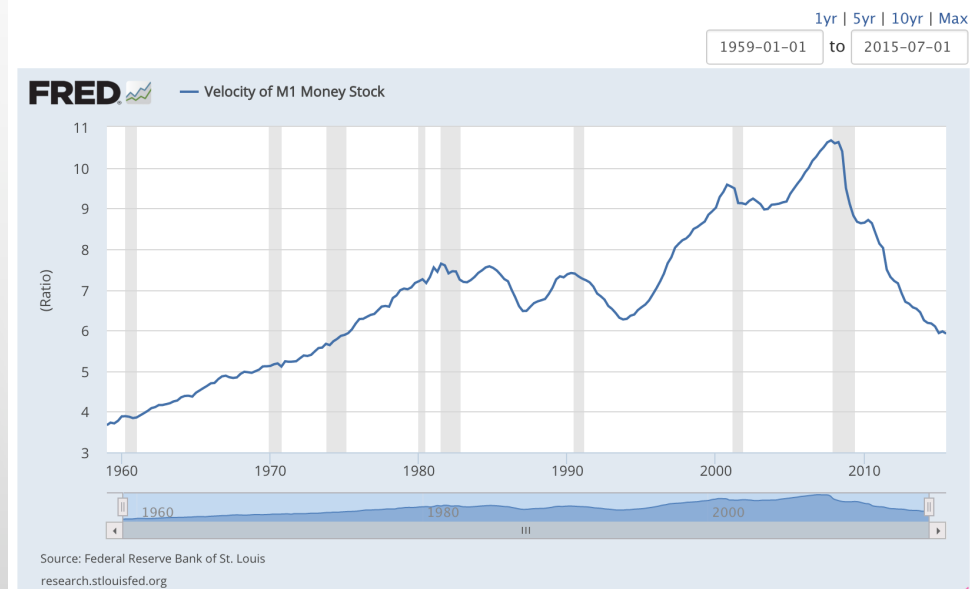


MONEY VELOCITY AND SUPPLY

Velocity of M1 Money Stock

2015:Q3: **5.919** Ratio ([+ see more](#))

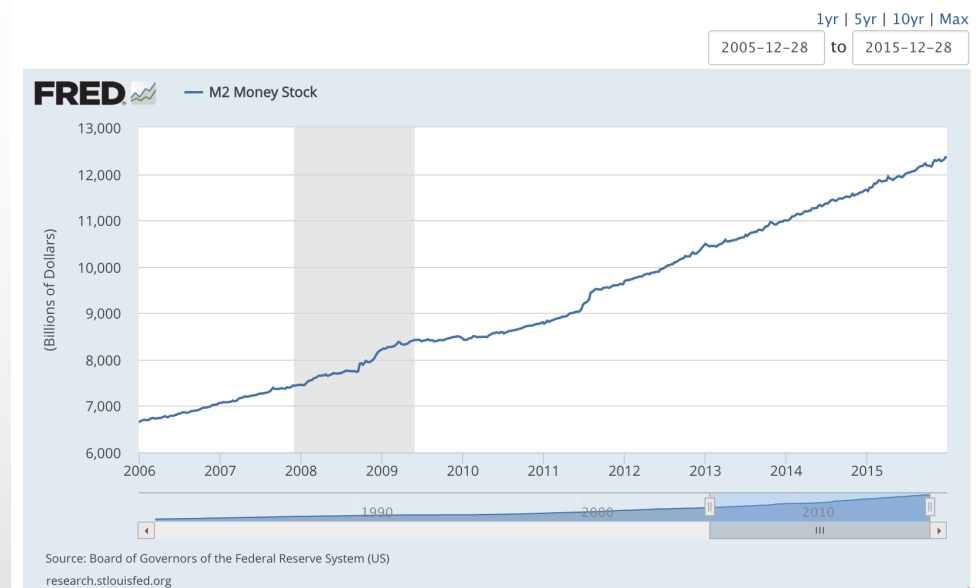
Quarterly, Seasonally Adjusted, M1V, Updated: 2015-12-22 8:06 AM CST



M2 Money Stock

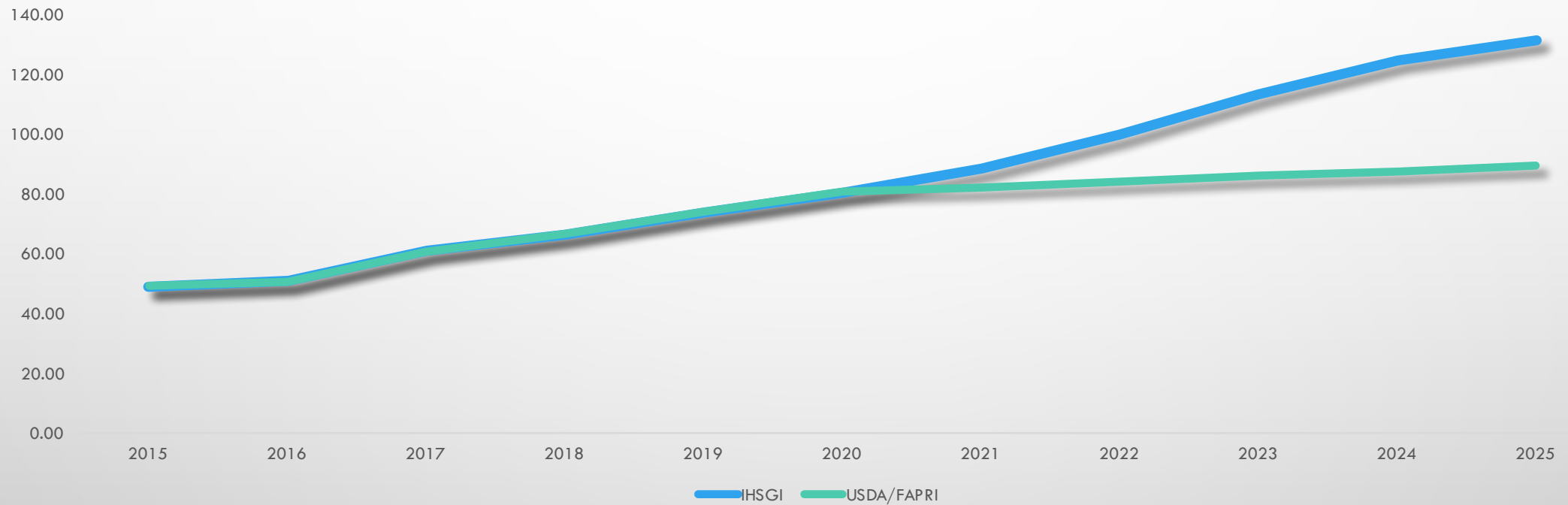
2015-12-28: **12,347.9** Billions of Dollars ([+ see more](#))

Weekly, Ending Monday, Seasonally Adjusted, M2, Updated: 2016-01-07 3:46 PM CST



$MV=PY$; why we have no substantial inflation

OIL PRICE ASSUMPTION GOING FORWARD



TAKE-AWAY FROM MACRO ENVIRONMENT

- CURRENCY APPRECIATION WILL FAVOR WEAKER COMMODITY PRICES IN THE U.S., OTHER THINGS EQUAL
- INTEREST RATES (AND SO BORROWING COSTS) WILL RISE...BUT HOW FAST? WITH LOWER COMMODITY PRICES AND WEAKER FARM POLICY, BORROWING CAPACITY WILL BE CURTAILED; PRODUCERS WILL ALSO BE LOOKING TO SAVE DOLLAR WHERE THEY CAN ON INPUTS
- IF THE SQUEEZE CONTINUES, THERE WILL BE EXITS FROM FARMING; SOME OF YOUR PATRONS WILL PROBABLY NOT BE HERE IN 5 YEARS
- TO EXACERBATE THE ISSUE, ENERGY COSTS, WHICH HAVE BEEN A COST SAVINGS OF LATE, WILL SLOWLY RISE AGAIN

The image features a light gray background with a subtle gradient. In the top-left and bottom-right corners, there are clusters of realistic water droplets of various sizes. These droplets are rendered with soft shadows and highlights, giving them a three-dimensional appearance. The word "WATER" is centered in the middle of the frame in a bold, black, sans-serif typeface.

WATER

REGULATORY BURDEN AND THE COST OF AVOIDANCE



GAO FINDS EPA VIOLATED LAW ON WOTUS

On Dec. 14, the GAO found that the Environmental Protection Agency broke the law with its social media and grassroots lobbying campaign advocating for its own Waters of the U.S. rule. It has become clear that the agency used illegal tactics to manufacture ill-informed support for the rule.



Facts About the Waters of the U.S. Proposal

For more information: www.epa.gov/uswaters

- The EPA and the Army Corps are NOT going to have greater power over water on farms and ranches.**
- The Clean Water Act and its regulations have multiple exclusions and exemptions from jurisdiction and permit requirements. The proposed rule does not change or limit any of them.
 - The agencies also worked with USDA to develop and publish through an interpretive rule, a list of NRCS agricultural conservation practices that will not be subject to CWA section 404 permitting requirements. These practices encourage conservation while protecting and improving water quality.

POLITICS

E.P.A.'s Proposed Rules on Water Worry Farmers

By RON NIXON MARCH 12, 2014



Dean Lemke is concerned that rules the E.P.A. is set to issue may require him to begin getting permits for certain types of work. Jenn Ackerman for The New York Times

THE COSTS

- THE DIRECT COSTS OF REGULATION ARE, OF COURSE, SUBSTANTIAL. WOTUS, EPA AIR QUALITY, OSHA, IRS, EEO, ETC.
 - WE SPEND SUBSTANTIAL AMOUNTS BRINGING BUSINESSES INTO COMPLIANCE
 - WE ALSO SPEND SUBSTANTIAL AMOUNTS TRYING TO PREVENT, REVERSE, OR CHANGE RULES
- THESE COSTS OF COMPLIANCE ARE NOT GOING AWAY—THEY WILL LIKELY ONLY INCREASE NO MATTER THE POLITICAL PARTY IN POWER

FARM POLICY

- WE ALL KNOW THERE HAS A BEEN A SUBSTANTIAL CHANGE IN THE FARM SAFETY NET
 - A GREATER EMPHASIS ON RISK MANAGEMENT
 - THE GOVERNMENT LOWERED COSTS BY MOVING TO AREA INSURANCE PRODUCTS
 - LITTLE GUARANTEED INCOME FOR CASH FLOW BUDGETING/CREDIT DECISIONS TO RELY
- ARE WE LIKELY TO GO BACK?
 - NO. IT WILL BE INCREASINGLY HARD TO JUSTIFY FARM PROGRAMS TO EVER MORE CONSERVATIVE REPUBLICAN MEMBERS AND EVER MORE URBAN DEMOCRATIC MEMBERS