2021 MEGA TRENDS

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Macro Clinic Video Blog: www.compeer.com/education
Road Warrior of Agriculture: www.cornandsoybeandigest.com
Ag Globe Trotter: www.northwestfcs.com
Dave’s GPS & Dashboard Indicators: www.farmermac.com
Tell us about yourself!
Chat Question #1

Where are you located?

Click on the Chat button at the bottom of the Zoom window.

Toggle the drop down to ‘All panelists and attendees’ then type your response.
Poll #1

What would best describe what business you are involved in?

a) Crop  
b) Livestock  
c) Diversified crop, livestock, other  
d) Agribusiness  
e) Ag lending  
f) Other
Views From Cyberville for 2021 & Beyond

- a black swan usually occurs each decade with two babies
- a black swan accelerates change for consumers, society, and businesses
- black swans are disruptors and challenging but they also create opportunities
- the COVID-19 black swan accelerated the economic and financial divide for the decade of the 2020s
2020s- The Decade of Economic & Financial Divide

- economic volatility in extremes
- manage the controllables & manage around the uncontrollables
- adapt, innovate, focus & follow the process
- decade of management transition
- decade of the agri-entrepreneur
Commodity Super Cycle

- BRICS & KIMT’S
- 2x emerging PPP
- weather
- declining interest rates
- ethanol
Government & Central Bank Super Cycle

- government payment stimulus boom
- China effect, temporary
- export market, low value dollar
- weather climate change
- low, stable interest rates- Central Banks, moving investors out on the risk curve
Global Macro Economic Risk (1)

- globalization vs. deglobalization
  - 1995-2017 purchasing power parity, hyperglobalization
    - emerging nations 2x plus
    - rich nations 44%
  - 1990-2008 global trade share of GDP 39% increase to 61%
  - 2009-2017 global trade share down 9%
    - financial crisis
    - governments, businesses and consumers agendas
- (ISI) import substitution industrialization strategy
  - supply & marketing chains
  - made in China 2025
  - India, Europe, & U.S. more self reliant
  - concentration vs. diversification
Global Macro Economic Risk (2)

- disjointed U.S. & global recovery
  - 90% economy
  - 50-75% economy
  - 125% economy
- trade agreement uncertainty
  - Australia vs. China
  - rich nations vs. China
  - Belt & Road Initiative, medical innovation path
- central banks/government supports for ag
  - U.S./global support $2 billion per day
  - duration of support & global competitiveness
  - government encroachment, taxes, regulations, other
Rising of Asia

1990
- ROW*: 28%
- U.S.: 23%
- Japan: 12%
- Africa: 3%
- Western Europe: 31%
- China: 2%
- India: 1%

2020
- ROW*: 29%
- U.S.: 21%
- Japan: 7%
- China: 14%
- Western Europe: 22%
- India: 4%

* ROW: Rest of World
Source: Global Insights, August 2018
Trade Paradigm Shifts
Globalization Vs. Regionalization

China’s Dual Circulation Strategy

Asia Regional Integration
- Asian Region: Japan, S. Korea
- China
- Russia

North American Regional Integration
- Canada
- United States
- Mexico

Europe Regional Integration
- E. Europe
- Germany
- France
- Great Britain
- S. Europe

India/Oceania Regional Integration
- Australia/New Zealand
- India

Southern Hemisphere Regional Integration
- Central/Latin America
- Brazil
- Argentina

Africa Middle East /South Asia Regional Integration
- Southern Asia
- South Africa
- Israel
- Middle East
- African Nations

China’s Belt & Road Initiative: 68 countries, $1 trillion in loans and now a shift to a medical innovation path
Global Trade Perspectives

<table>
<thead>
<tr>
<th>Trade Agreement</th>
<th># Countries</th>
<th>Population</th>
<th>GDP</th>
<th>Trade Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCEP¹</td>
<td>15</td>
<td>2.7 Billion</td>
<td>$25.8 Trillion</td>
<td>$12.5 Trillion</td>
</tr>
<tr>
<td>CPTPP²</td>
<td>11</td>
<td>508 Million</td>
<td>$11.1 Trillion</td>
<td>$7.6 Trillion</td>
</tr>
<tr>
<td>USMCA³</td>
<td>3</td>
<td>493 Million</td>
<td>$24.4 Trillion</td>
<td>$7.8 Trillion</td>
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</tbody>
</table>

¹RCEP- Regional Comprehensive Economic Partnership (15 Asian Countries)
²CPTPP- Comprehensive & Progressive Agreement for Trans-Pacific Partnership (Canada & 10 countries in the Asia-Pacific region).
³USMCA- United States-Mexico-Canada Agreement (North America)
Grain Marketing Setback Five Years

- money left on the table
- government programs stimulus
- China effect
- weather- South America
- weakening of the dollar
Livestock & Other

- access to markets & marketing changes
- concentration, cannibalization
- competitive products
  - non-meat alternatives
  - non-dairy alternatives
- regulation
- labor, immigration
- health of the U.S. economy
Poll Results From Lenders (12/20)

As a lender, what do you think is the greatest threat to net farm income and cash flow for 2021 and beyond? Select the top three.

a) reduction of government supports – 55%
b) inflating expenses – 50%
c) ability to restructure, refinance for working capital, cash flow, etc. – 15%
d) producers’ management (production, marketing and financial) – 41%
e) weather in extremes- locally, U.S. and globally – 24%
f) trade issues impacting export potential – 53%
g) loss of non-farm revenue/income – 15%
h) supply and marketing chain disruptions – 35%
i) other – 2%
## Percent of Net Income Resulting From Government Payments in 2019

### FINBIN 2019 Database

<table>
<thead>
<tr>
<th>Agriculture Entity</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Crops/Grain</td>
<td>95%</td>
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<tr>
<td>Dairy</td>
<td>35%</td>
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<tr>
<td>Hogs</td>
<td>93%</td>
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<tr>
<td>Beef</td>
<td>115%</td>
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</tbody>
</table>

- 2020??
- This will be an interesting number
U.S. Farm Real Estate Values

Annual Percentage Change in US Farm Real Estate Values 1910-2020

Source: Dr. Steve Isaacs, University of Kentucky
Land Value Resilience

- low interest rates
- T.I.N.A.
- refinance/restructure cycles
- baby boomer farmers will be investing another decade
- rural property renaissance
- 79% rule
- 88% rule
Factors That Could Collapse Land Values

- rapid rise in interest rates
- knee jerk reaction of restructuring/refinancing of working capital, credit needs with regulators/lenders
- investment sentiment
  - BBB’s
  - urban migration
  - land investment groups
- regional or local economics spiraling downward
- U.S. & global debt & liquidity crunch
- downward trend of commodity prices, global trade contraction, government payments
Factors That Collapsed Land Values in the 80s

- rapid rise in interest rates, rapid decrease in inflation
- knee jerk reaction to regulators/lenders
- collapse - global trade
- collapse - commodity prices
- debt of baby boomer farmers/ranchers
- government assistance on the credit side, but not the cash flow side
U.S. Economy

2020 Pandemic

- sudden impact/shock disruption
- economic behavioral changes/basics
- no pattern of corrective action- health
- three D’s: Depth, Diffusion & Duration
- Nike swoosh shaped recession with a jagged tail “w”
  - size 6 or size 14-18?
- deeper global recession?
- re-emerging bio shocks / cyber attacks
- southern hemisphere bio shocks
## Economic Indicators Dashboard

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<tbody>
<tr>
<td><strong>Leading Economic Index</strong></td>
<td>112.0</td>
<td>111.8</td>
<td>103.5</td>
<td>96.9</td>
<td>99.8</td>
<td>102.9</td>
<td>105.0</td>
<td>106.7</td>
<td>107.5</td>
<td>108.2</td>
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<tr>
<td>LEI Diffusion (%)</td>
<td>70</td>
<td>35</td>
<td>10</td>
<td>20</td>
<td>70</td>
<td>80</td>
<td>80</td>
<td>70</td>
<td>70</td>
<td>80</td>
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<tr>
<td><strong>Purchasing Managers Index (PMI)</strong></td>
<td>50.9</td>
<td>50.1</td>
<td>49.1</td>
<td>41.5</td>
<td>43.1</td>
<td>52.6</td>
<td>54.6</td>
<td>56.0</td>
<td>55.4</td>
<td>59.3</td>
<td>57.5</td>
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<tr>
<td>Unemployment Rate (U-3)</td>
<td>3.6</td>
<td>3.5</td>
<td>4.4</td>
<td>14.7</td>
<td>13.3</td>
<td>11.1</td>
<td>10.2</td>
<td>8.4</td>
<td>7.9</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate (U-6)</td>
<td>6.9</td>
<td>7.0</td>
<td>8.7</td>
<td>22.8</td>
<td>21.2</td>
<td>18.0</td>
<td>16.5</td>
<td>14.2</td>
<td>12.8</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Housing Starts (millions)</td>
<td>1.617</td>
<td>1.567</td>
<td>1.269</td>
<td>0.934</td>
<td>1.038</td>
<td>1.265</td>
<td>1.487</td>
<td>1.373</td>
<td>1.459</td>
<td>1.530</td>
<td></td>
</tr>
<tr>
<td>Index of Consumer Sentiment</td>
<td>99.8</td>
<td>101.0</td>
<td>89.1</td>
<td>71.8</td>
<td>72.3</td>
<td>78.1</td>
<td>72.5</td>
<td>74.1</td>
<td>80.4</td>
<td>81.8</td>
<td>76.9</td>
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</table>
Ten Mega Trends for the 2020s: After Shocks & Future Shocks

- vaccine disruptors
- uneven economic recovery
- new world disorder
- U.S., China, rich nations - tensions
- tech acceleration
- soil and water health
- cyber grid risk
- government debt/stimulus
- deurbanization, rural renaissance
- other
Chat Question #2

What is one positive about 2020?

Click on the Chat button at the bottom of the Zoom window.

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