

Trump & Washington:

Trump, GOP agenda moving

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2018 May Make 2017 Look Tame:

- **Politics**
- **Perspectives**
- **People**
- **Policy**

Politics

- **House and Senate majorities up for grabs**
- **State-level elections with big redistricting impact**
- **Democrat civil war growing * Temporary GOP cease-fire**

Perspectives

- Both sides think they are winning, plan to double down
- Trump-media feud will intensify
- Market volatility likely to increase

People

- Trump team will turn over faster than others
- More congressional departures and bipartisan harassment allegations
- White House-Special Counsel skirmishes

Policy

- Intense Q1 agenda demands deals
- Global populism will spread, challenging trade policy
- Geopolitics risks will grow

President Trump

- Which Trump will we get?
- Will he continue to work with Dems?
- Continues to do what he pledged in campaign
- Russia investigation remains nagging issue

Tax Reform

House, Senate score rare legislative win

- Estate tax
- Allowing equipment depreciation
- Write-offs for net interest expenses preserved for small businesses
- Provision for co-ops raising concerns

Agenda After Tax Reform

- **Tax Reform package implementation**
- **Technical tax reform corrections coming**
- **Next battles: Budget, spending limits**
- **Other issues: Debt limit * Immigration (DACA)**
Disaster aid * Biodiesel tax incentive
Cotton and dairy program changes
- **Farm bill: May be one of easier bills to pass, but...**

Trump Remaking Federal Judiciary

Trump working with Sen. McConnell

- **Trump has nominated over 60 judges...**
Filling more vacancies than Obama entire first year
- **Another 160 court openings...**
99% of federal legal disputes
- **Supreme Court: More potential openings ahead**
???... Kennedy * Ginsberg

2018 Elections: Wave Ahead?



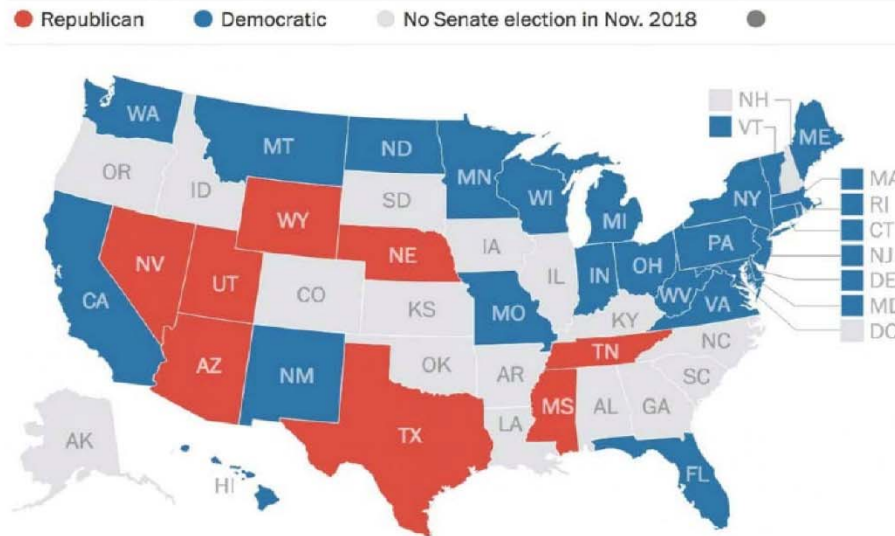
2018 Elections

*Numbers favor GOP in Senate, but...;
Off-year election puts House in play*

- **26 Democratic Senate seats up**
 - 10 in states Trump carried
 - 5 in states Trump won by 19 points or more
 - Only 8 GOP seats**
 - Will GOP expand current 51-49 majority?***
- **House: In play**
 - Dems need net gain of 24 seats

From Current 51R-49D Margin, Senate Could Go Either Way

**While Democrats Are Defending 25 Seats
Including 10 That Trump Won in 2018
(vs. GOP 8 Total, 1 Clinton)...**



Note: Following Sen. Al Franken's resignation, both Minnesota seats are up in 2018.

**...Since 1982, in Midterm
Senate Elections...**

96.5%

re-elected from the
opposite party from the
President (110/114)

80.5%

re-elected from the
same party as the
President (103/128)

Source: 538 (Harry Enten)

SOLID D		LIKELY D	LEAN D	TOSS-UP	LEAN R	LIKELY R	SOLID R
CA-Feinstein	NY-Gillibrand	MT-Tester	FL-Nelson	IN-Donnelly			TX-Cruz
CT-Murphy	RI-Whitehouse	NJ-Menendez	ME-King (I)	MO-McCaskill			MS-Wicker
DE-Carper	VT-Sanders (I)	PA-Casey	ND-Heitkamp	WV-Manchin			NE-Fisher
HI-Hirono	VA-Kaine	WI-Baldwin	OH-Brown	MN-Smith			UT-Hatch
MD-Cardin	WA-Cantwell	MI-Stabenow		AZ-Open (Flake)			WY-Barasso
MA-Warren	MN-Klobuchar			NV-Heller			
NM-Heinrich				TN-Open (Corker)			

Source: Cook Political Report, Dec. 15, 2017 Ratings

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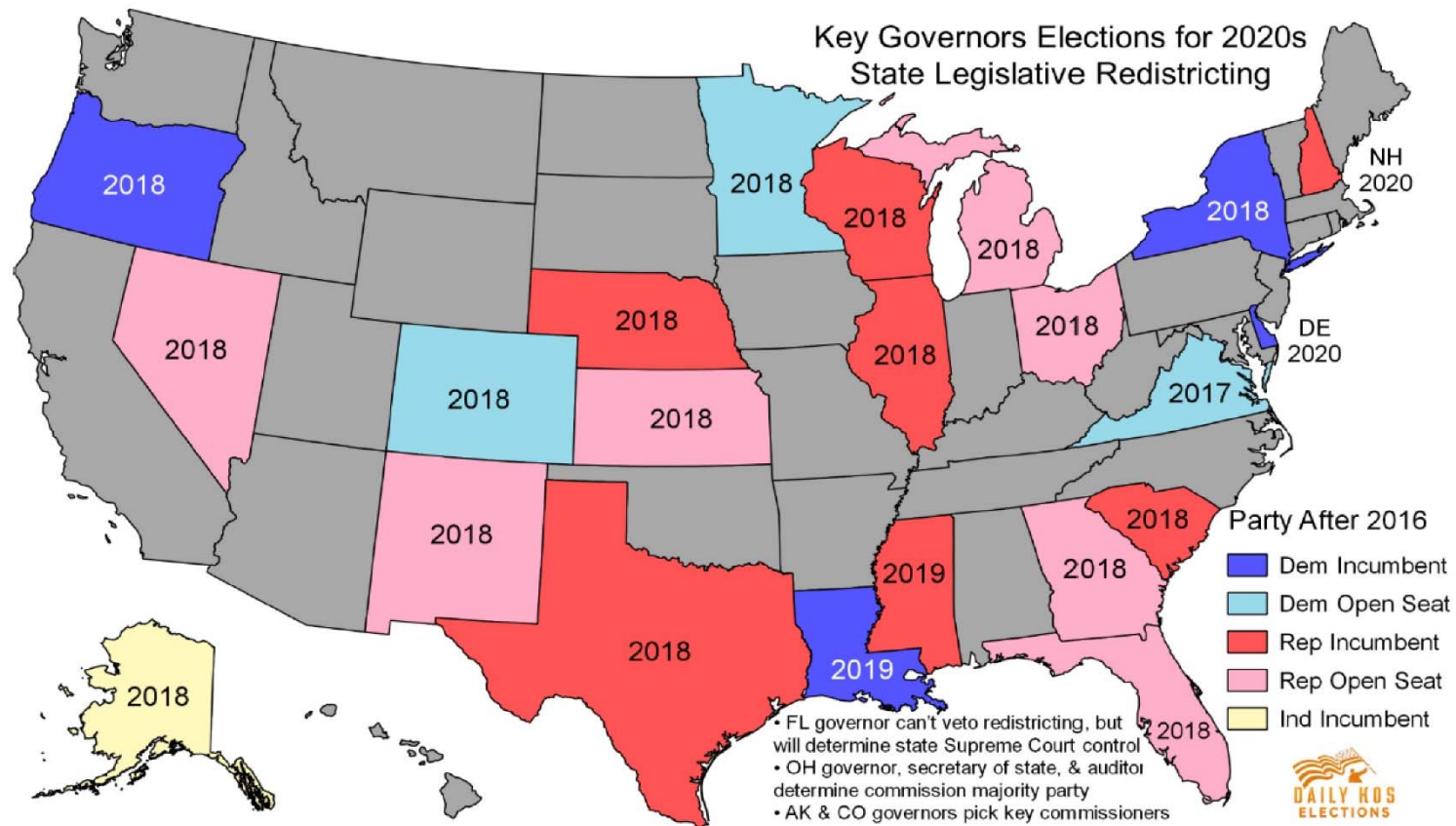


Questions

- **What party will gain seats in Senate next fall?**
- **What party will gain seats in House? How many?**
- **Will Trump run for re-election and win?**
- **Who do the Dems nominate for president?**

2018 Election Will Have Major Impact on Redistricting

"In 34 states, the Governor who'll be in office for the next redistricting will be elected this year"



Trade Policy: Hot Button Issue

Anger Mounts on Trump Trade Policies, Impacts

- **Trump withdraws from TPP**
Japanese officials still trying to woo Trump to return
- **Trump threatens to end NAFTA, KORUS, CUBA**
Favors bilaterals over multilateral accords
But no bilateral talks have started
Undoing a lot of trade openings in Cuba from Obama term
- **Others inking new trade agreements: EU-Japan, etc.**

NAFTA 2.0 Talks

U.S. takes aggressive positions

- **Big changes** for auto/parts origin, dairy, produce, etc.
- **Canada, Mexico** reject many hardline U.S. positions
- **Timeline**: 6th round Jan. 23-28 in Montreal, Canada
7th round in Mexico in February
- **Does Trump really want to walk away?**
 - If NAFTA 2.0 succeeds, will Congress approve?
 - If Trump bolts NAFTA, would Congress reject?
 - Impacts if NAFTA collapses

Trade With Canada, Mexico

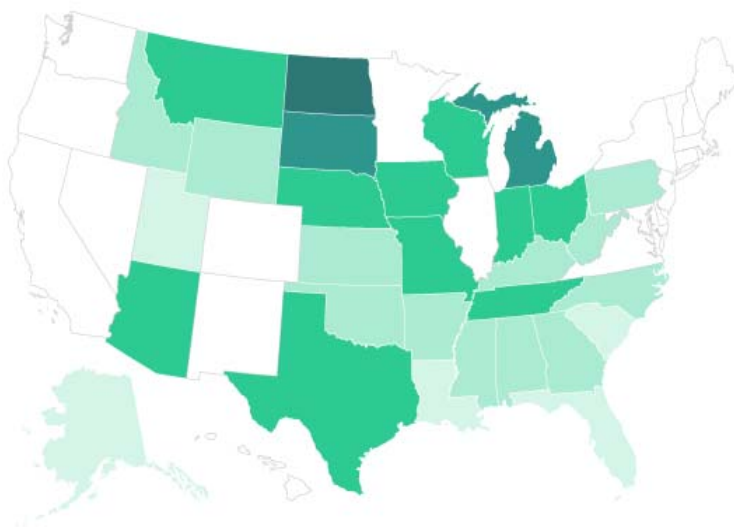
Trump States Depend Heavily on Nafta

Many states that voted Republican send a large share of their total exports to Mexico and Canada.

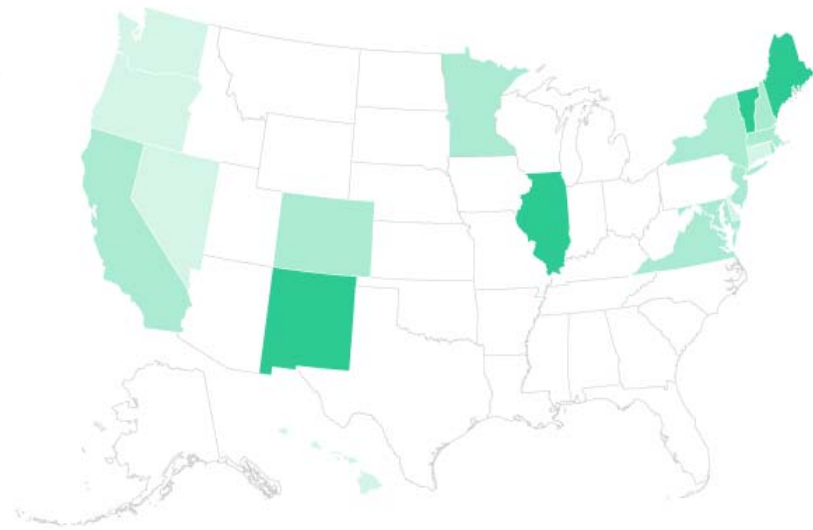
Share of 2016 exported goods to Canada and Mexico



States won by Trump



States won by Clinton



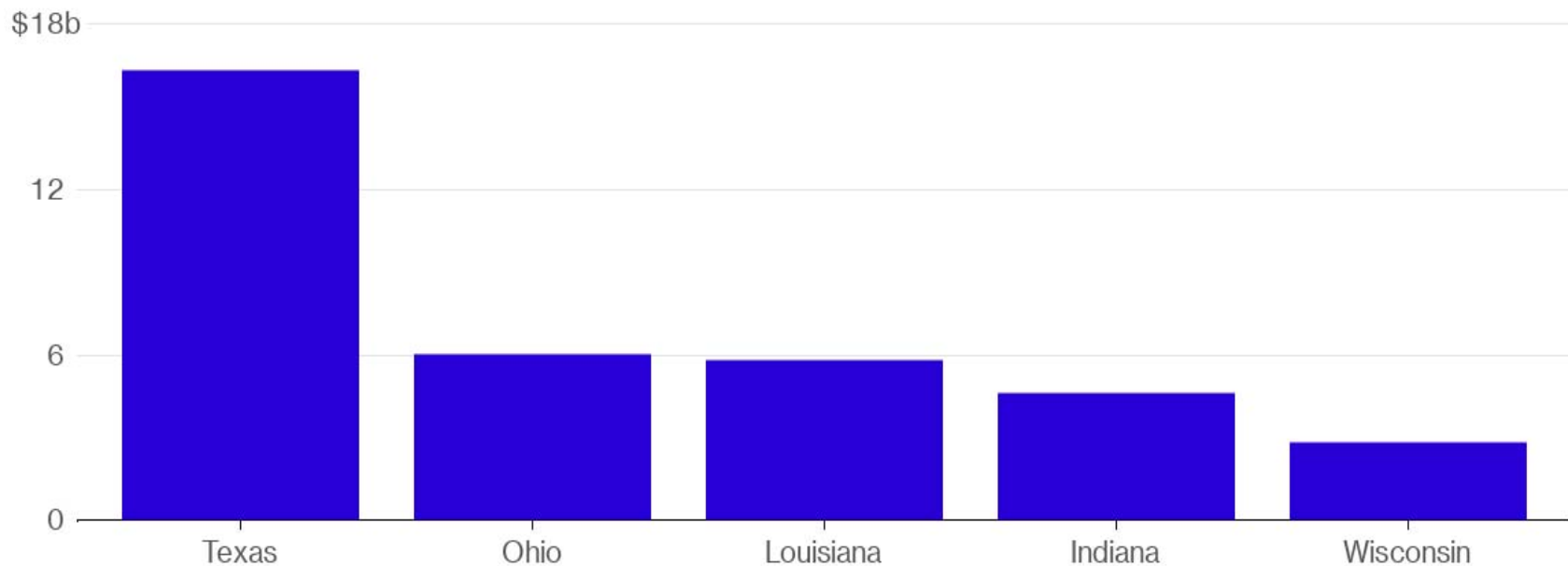
Sources: U.S. Census Bureau, U.S. Electoral College

Bloomberg

Trade With Canada, Mexico

Reaping the Benefits

These pro-Trump states had the biggest trade surplus with Nafta



Source: U.S. Census Bureau

Note: Data is for 2016 trade of goods

Bloomberg 

Percent of Ag Exports Dependent on NAFTA

North Dakota	73%
Missouri	69%
Michigan	63%
Wisconsin	52%
Indiana	41%

Missouri Details

Corn, 89% * Soybeans, 88% * Wheat, 96%

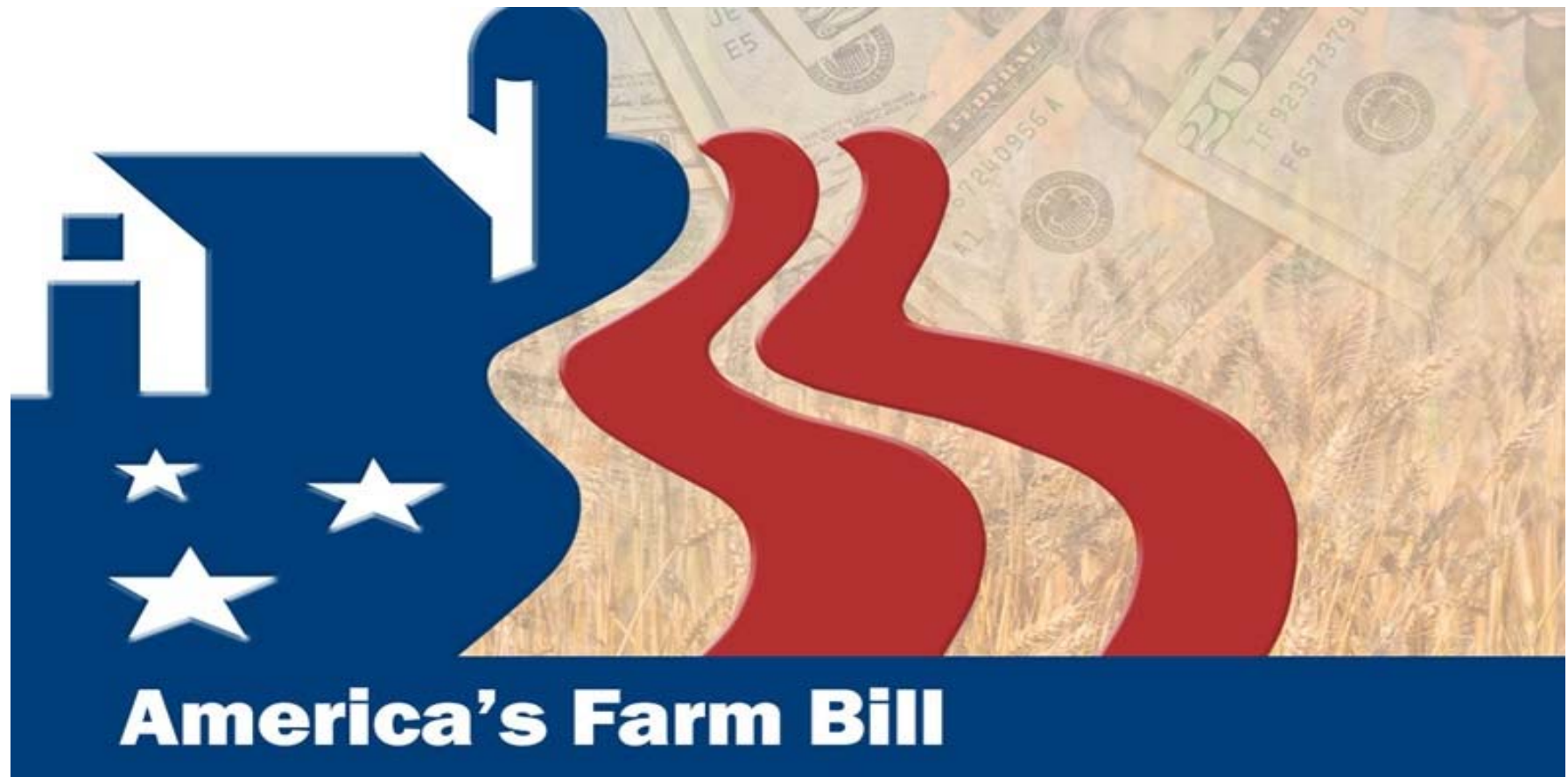
Dairy, 76% * Beef, 83%, Pork, 12% * Poultry, 42%

If NAFTA Collapses

Ag industry would have negative implications

- **Would hurt overall U.S. economy**
- **Would cause a big squeeze to some sectors and states**
- **Could impact stock markets**
- **Some factory work would move north from Mexico, but...**
- **U.S. would lose a net 256,000 jobs over three to five years**
- **Among the losers:**
Auto, food, and apparel makers that have crafted efficient supply chains around duty-free passage of parts and goods across borders

Next Farm Bill



Questions

- When will new farm bill be signed into law?
- Will cotton and dairy be fixed before farm bill?
- What will Commodity Title look like?
- Biggest blocks to approval of a new farm bill?
- How will food stamps be dealt with?

Farm Bill Timeline

Prospects for new bill

- **Timeline**
- **House will go first**
- **Senate to follow**

Questions

- Do Dems want a farm bill before their re-election or an issue to run on, as was case in 2012?
- Does crop insurance get by without cuts?
- What will be USDA, Perdue's role in farm bill?

New Farm Bill

Perspective

- **First time since 1996** that an all-GOP Congress could pass a farm bill.
- **First time since 1954** that an all-GOP government could pass a farm bill.
- **Can they do it?**

Issues Ahead

Proposed changes need lots of funding

- **Crop insurance:** Watch amendments, but...
- **CRP cap increase:** Offsets found via lower rental rates
- **ARC:** Just one change (10-year avg.): \$450 million one year
- **PLC boost:** Wheat wants boost from \$5.50 ref. price, but...
- **Cotton safety net:** Offsets found but...
- **Dairy safety net:** Changes proposed... MPP, LGM programs
- **Vaccine bank to combat FMD:** \$150 million annually?

Questions

- What inroads has Trump admin. made in rolling back regulations?
- What will become of ObamaCare?
- Will we get immigration reform?
- What is your prediction on commodity prices?
- What are top issues you hear from farmers, agribusiness on the speaking circuit?

How Will Investors React When Markets Get More Erratic?



Where the Next Market Panic Might Come From?

FED Too Aggressive



Geopolitics



Political Shocks



Bursting Bubbles



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Other Key Issues

- Infrastructure – Timing around State of Union
- Renewable Fuel Standard (RFS) program
- Biodiesel tax incentive
- Biodiesel sanctions: Argentina, Indonesia

Corn Outlook

- March corn \$3.46. \$3.35-\$3.55 next 3 months
- Dec corn \$3.80. \$3.40 if yields normal; \$4 plus if not
- USDA: 2017 crop slightly bigger than expected
- U.S. corn carryover approaching 2.5 bil. bu.
- 2018: Around 1 mil. more corn acres

Soybean Outlook

- March \$9.60. \$9.40-\$9.80 next 3 months
- Nov \$9.83. \$9.25-\$10 if normal yields; \$10.75-\$11 if crop is cut by 200 mil. bu. (5%)
- USDA: Cut exports 65 mil. bu.
- U.S. carryover: 470 mil. bu., highest s/u ratio 11 years
- Improving weather in Brazil; hot, dry in Argentina
- 2018: About 1 mil. acres lower U.S. plantings

SRW Wheat Outlook

- March \$4.20. \$4.10-\$4.50 next 3 months
- Sept \$4.60. If rains come, \$4.35; \$5 if rains inadequate
- USDA: Winter wheat seedings 1.5 mil. above trade
- U.S. carryover: 989 mil. bu.
- Dec. 1 wheat stocks: 25 mil. bu. above trade
- Dryness in Plains, into Dakotas and Midwest

Meat Sector Outlook

- **Larger meat supplies & solid demand, but...**
- **Exports are the key**
- **Rebuilding cattle herd means more beef output ahead**
- **Total U.S. meat output projected sharply higher '18**

Cattle

- Price decline overdone
- Better hedging opportunities this spring

Hogs

- Futures showing signs of topping, but...
- Ongoing strength in cash hog market
- Strong packer demand, but margins tightening
- Pork exports robust

Dairy Outlook

- U.S. milk prod. increases ease...
- But global market challenging
- Larger competing supplies will limit U.S. dairy exports

Questions?

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