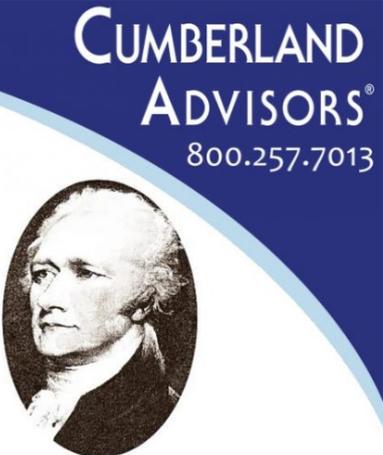


Shutdown #6

US agriculture was not well positioned to suffer a federal government shutdown in December and January. In an era of low commodity prices, many farms cannot afford trade-war shenanigans and cannot afford government shutdowns.



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SHUTDOWN

The truth unquestionably is, that the only path to a subversion of the republican system of the Country is, by flattering the prejudices of the people, and exciting their jealousies and apprehensions, to throw affairs into confusion, and bring on civil commotion. Tired at length of anarchy, or want of government, they may take shelter in the arms of monarchy for repose and security.

- Alexander Hamilton

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Across the US, median farm income for 2018 was -\$1548 (yes, a negative \$1548), a fifteen-year low, despite record farm productivity

(<https://www.ajc.com/news/farmers-knife-edge-bad-weather-tariff-war-shutdown-exact-toll/BcQhMALKUmNBslXllcSjcL/>). That data includes, of course, not only large corporate farms but also small farms where producers rely on off-farm jobs to make ends meet.

To top off the twin challenges of low prices and foreign markets evaporated by the trade war, weather-related losses have hit some farms hard, making assistance far more critical. Take the situation for South Georgia pecan growers, for example

(<https://www.ajc.com/news/farmers-knife-edge-bad-weather-tariff-war-shutdown-exact-toll/BcQhMALKUmNBslXllcSjcL/>), Justin Jones among them. Hurricane Michael destroyed many of Jones' trees, trimming potential income for years to come. A

significant portion of what was a bounty crop of nuts could not be harvested because of heavy rains. Jones' crop losses weren't mitigated by higher prices, either, despite a diminished supply, because the Chinese stopped buying US pecans. Meanwhile, South Georgia farmers found themselves waiting on federal relief and crop insurance payments because of the shutdown. Old debt, instead of being paid off by a generous harvest, had to be wrapped into new loans.

The shutdown was especially ill-timed, because farm bankruptcies are up, as the *Wall Street Journal* reports in a must-read article titled, "This One Here Is Going to Kick My Butt: Farm Belt Bankruptcies Are Soaring" (<https://www.wsj.com/articles/this-one-here-is-gonna-kick-my-butt-farm-belt-bankruptcies-are-soaring-11549468759>). Farmers must contend with low commodity prices, trade war impacts on exports, and higher costs for fertilizer and equipment. The WSJ report sizes up the unfolding damage:

"Bankruptcies in three regions covering major farm states last year rose to the highest level in at least 10 years. The Seventh Circuit Court of Appeals, which includes Illinois, Indiana and Wisconsin, had double the bankruptcies in 2018 compared with 2008. In the Eighth Circuit, which includes states from North Dakota to Arkansas, bankruptcies swelled 96%. The 10th Circuit, which covers Kansas and other states, last year had 59% more bankruptcies than a decade earlier.

"States in those circuits accounted for nearly half of all sales of U.S. farm products in 2017, according to U.S. Department of Agriculture data."

The 35-day shutdown meant that many farmers faced delays in applying for and receiving Farm Service Agency loans that they use each year to buy seeds, feed, equipment, and fertilizer. Christopher Quinn, reporting for the *Atlanta Journal-Constitution*, explains, "Farmers plan crops, prepare fields and line up financing January to March. But most USDA

functions and local Farm Service Agency offices closed in late December and most of January. That left farmers behind and prevented them from applying for loans, collecting federal disaster aid and crop insurance and trade mitigation payments which were given to offset a portion of tariff losses. In a financially pinched time, that money would be useful.” (<https://www.ajc.com/news/farmers-knife-edge-bad-weather-tariff-war-shutdown-exact-toll/BcQhMALKUmNBslXllcSjcL>)

The 35-day shutdown of the federal government also delayed crucial ag reports. Just as investors need those reports, farmers need them, too, particularly information on foreign production and demand, as they make critical decisions about when to sell their corn or soybeans, or how much of what to plant for 2019. How critical are delays and a dearth of data from the USDA? A UPI report, “Lacking USDA Crop Reports, Farmers Make Critical Decisions in the Dark,” laid out the situation during the shutdown:

“This is the time of year growers across the country take out loans, purchase machinery, decide what they will plant – and buy seed. The USDA’s data on price outlooks and international supply and demand for agricultural commodities can be crucial in making those decisions.

“‘Here, we’ve been a month with no information,’ said Tim Bardole, a corn and soy grower in Iowa. ‘As far as planting goes, we’ve got our seed bought. We kind of took a shot in the dark. When the reports come out, we’ll find out how far off we were.’”

(<https://www.upi.com/Lacking-USDA-crop-reports-farmers-make-critical-decisions-in-the-dark/6301548967114/>)

As it braces for a possible second shutdown, the USDA has been scrambling to produce those reports that couldn’t happen in January. The long-awaited World Agricultural Supply and Demand Estimate, or WASDE, was finally released on February 8. Fortunately for investors and for farmers, it held no big

surprises. US soybean production, corn production, and projected exports were down, while wheat, sorghum, and rice were up. But nothing in the report spurred the price volatility many had feared.

The shutdown interfered, too, with the timely implementation of the 2018 Farm Bill, which the USDA is scrambling to implement. Among its other “farm-friendly” provisions, the 2018 Farm Bill includes much-needed aid to struggling dairy farmers and a provision for insurance against low milk prices under the Margin Protection Program (<http://www.thedailynewsonline.com/bdn01/kirsten-gillibrand-calls-for-rapid-implementation-of-farm-bill-post-shutdown-20190206>).

The USDA has obviously done its level best to forestall damaging impacts on farmers. During the first shutdown it temporarily reopened almost half of its Farm Service Agency offices on a part-time basis to help with existing loans and to produce 1099s needed for 2018 taxes. The *Washington Post* reports that some USDA employees who worked through the shutdown did not see their back pay until more than two weeks after the shutdown ended, basically because the computer system used to issue payments choked with the overload. When accounts are finally settled, the federal government will have footed the bill not only for back pay but also for the overtime pay that is unavoidably the price of catching up. (https://www.washingtonpost.com/national/health-science/after-the-shutdown-federal-workers-are-coping-with-a-rocky-restart/2019/02/07/34494bea-2a41-11e9-b011-d8500644dc98_story.html)

One can only speculate on how the situation will worsen if another shutdown unfolds as US farmers prepare for planting season. Will FSA payments, Market Facilitation Program payments, and farm subsidy payments be made in time, or will some farmers be unable to obtain the money they need to bring a crop to harvest or livestock to market? Will crop loss

insurance payments reach those wiped out by a hurricane? Will dairy farmers get insurance payments long overdue? A second shutdown has further potential implications not only for farmers and the Agriculture sector as a whole, but perhaps also for consumers who have to put dinner on the table on a budget.

The many roles of the USDA – from the administration of SNAP to food safety inspections to the complex programs that help farmers plant their crops and feed their livestock and bring them to market so that America eats – cannot be adequately fulfilled during a shutdown, even a partial one. Some politicians grasp this. House Agriculture Committee Chairman Collin Peterson has proposed a bill to keep Farm Service Agency offices running during a shutdown. (<https://www.rfdtv.com/story/39871614/house-ag-committee-chairman-collin-peterson-proposes-to-keep-farm-service-agency-offices-open-if-another-shutdown-occurs#.XFsk2dF7nFQ>)

But all industrial sectors and all consumers sectors and all services of government and all impacts on our lives are better served if there is no second shutdown. The discussion in Congress is to avoid this type of punishment of our citizens by changing the legal structure so that shutdowns don't repeat themselves. Nine Republican Senators have sponsored legislation called the End Government Shutdowns Act ([S. 104](#)), to ensure an automatic continuing resolution at current spending levels to be triggered when any budget appropriations deadline passes without a budget agreement. (<https://www.govexec.com/management/2019/01/senate-republicans-hatch-plan-prevent-future-shutdowns/154160/>)

As matters stand, President Trump, the House and the Senate, the Democrats and the Republicans, are all guilty of creating the shutdown that imperiled the finances of federal workers and many farmers alike. They are ignoring the citizens who do not want it. Congress, however, can stop shutdowns permanently, and should. Politicians, whether in Congress or

in the White House, should not have a tool to waterboard the federal government, its employees, and those who are served by its programs as a means to strong-arming political outcomes.

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