

Congress 2022: Gridlock or Tidal Wave

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Congress 2022 – Gridlock or a Tidal Wave?



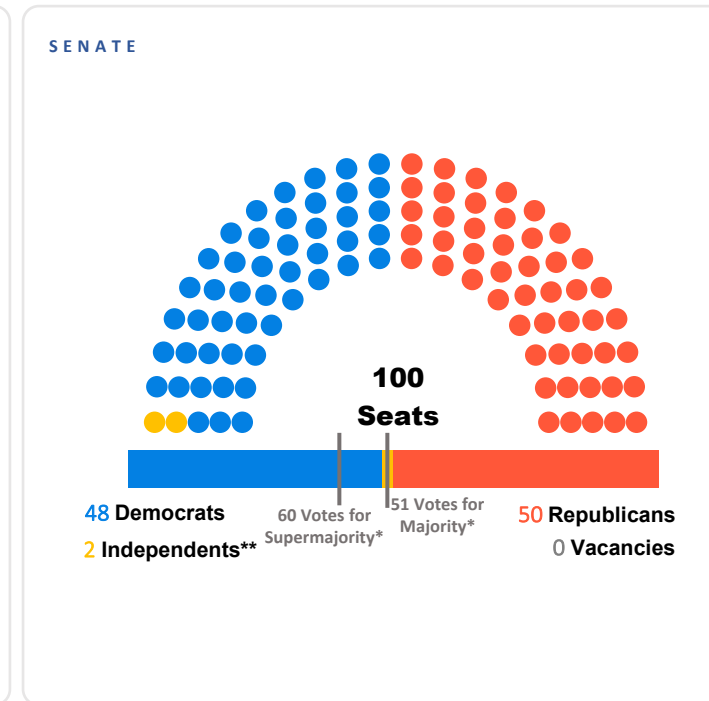
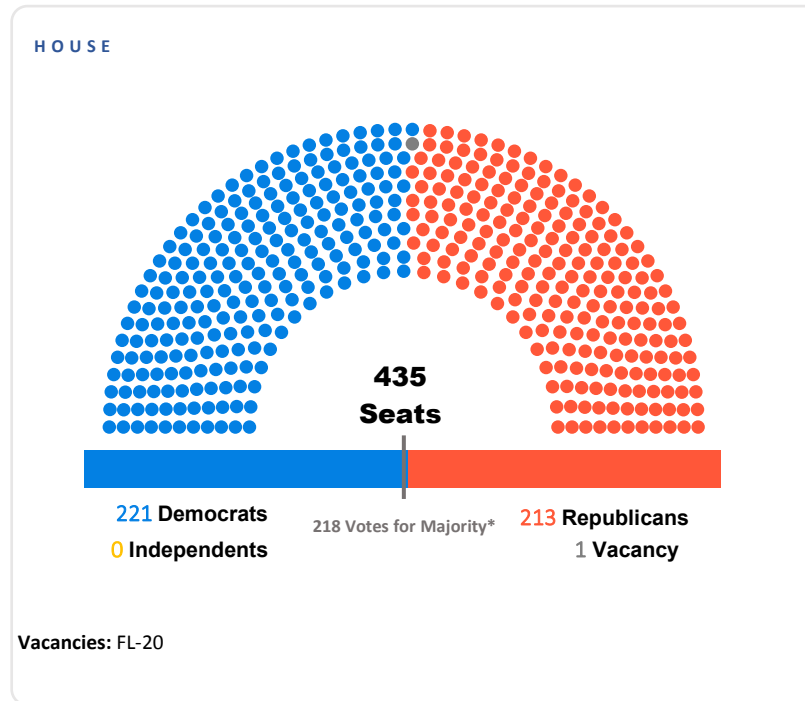
- Current Congress
- Infrastructure Bill
- Build Back Better (BBB)
- Other bills for agriculture
- Renewable Diesel
- Midterm Elections
- 2023 Farm Bill

117th Congress



- Continuing Resolution (CR) passed on Friday
 - Funds Government through Feb 18
- Both have passed the infrastructure bill
- Still need to increase the debt limit by around Dec 15
- Senate needs to pass the National Defense Authorization Act
- House passed the BBB, Senate is working on it
- Why is there gridlock?
- Why can't they get things done?

Democrats hold narrow congressional majorities going into 2022



*If no vacancies and all members vote **The two independent senators (Sanders - VT and King - ME) caucus with the Democrats

Gridlock – Manchin & Sinema Effect



- Senator Joe Manchin D - WV



- Senator Kyrsten Sinema D-AZ



Infrastructure Bill



- The Infrastructure Investment and Jobs Act
- \$1.2 Trillion / \$550 Billion of new money
- White House – Biggest investment in roads and bridges since the interstate highways

Infrastructure Bill



- \$110 billion for roads, bridges, and other major projects
- \$73 billion to update the nation's electricity grid
- \$66 billion for passenger and freight rail
- \$65 billion for broadband internet
- \$55 billion for water infrastructure
- \$50 billion for climate resiliency projects
- \$39 billion for public transit
- \$25 billion for airports
- \$21 billion for environmental remediation projects
- \$17 billion for ports and waterways
- \$11 billion for transportation safety projects
- \$7.5 billion for low emissions buses and ferries
- \$7.5 billion to construct EV charging stations

Infrastructure – MN & ND



- Distributed to states based on specific funding formulas.
- Some of these formulas already exist (e.g., roads, bridges, transit)
- Some are new (e.g., broadband).



Infrastructure - MN



- Highways: \$4.5 billion
- Public transportation: \$818 million
- Water Infrastructure: \$680 million
- Bridges: \$302 million
- Wildfire protection: \$20 million
- Airports: \$297 million
- Broadband internet: a minimum of \$100 million
- Electric Vehicle Charging: \$68 million
- Cybersecurity: \$17 million

Infrastructure - ND



- Highways: \$1.7 billion
- Public transportation: \$109 million
- Water Infrastructure: \$355 million
- Bridges: \$225 million
- Airports: \$94 million
- Broadband internet: a minimum of \$100 million
- Electric Vehicle Charging: \$26 million
- Wildfire protection: \$21 million
- Cybersecurity: \$11 million

Infrastructure Pay-Fors



- Add \$350 B to the deficit over 10 years
- Repurpose unused COVID-19 relief funds
- Use un-obligated appropriations from the Economic Injury Disaster Loan program, the PPP and the Education Stabilization Fund.
- Funding from states that terminated the pandemic unemployment benefits early.
- Funds from the sale of spectrum auctions for 5G services
- Economic growth from the investment in the long-term projects.

Build Back Better



- Reconciliation Bill / Human Infrastructure Bill
 - Reduces 60% majority to 50% majority in Senate
 - Used only for spending, taxes and federal debt limit
- \$1.75 Trillion
- White House says it's fully paid for. CBO says not quite.
- Passed the House of Representatives / Senate working on their version
- \$90 billion for Agriculture
 - \$27 billion for farm conservation
 - Including a \$25/acre payment for planting cover crops.
 - \$27 billion for forestry
 - \$18.3 billion for rural development
 - \$2 billion for ag research
 - \$10 billion for child nutrition
 - \$6 billion for farmer debt relief – FSA Direct Loans/Some part of FSA Guaranteed Loans

Build Back Better



- Pay-Fors
 - 15% minimum book tax on companies over \$1 billion profits
 - 1% surcharge tax on companies that have stock buybacks
 - 5% additional tax on incomes over \$10 million
 - 3% surtax on incomes over \$25 million
 - Additional IRS tax enforcement
- What's not included
 - No capital gains tax changes
 - No stepped-up basis changes
 - No estate tax changes
 - No changes to 1031 exchange



Other Bills for Ag



- Ocean Shipping Reform – Johnson - SD & Garamendi - CA
 - Containers cannot go back to China empty
- Growing Climate Solutions
 - USDA can create a carbon market certification process and provide technical assistance to farmers
 - Passed Senate, still in House
- Workforce Modernization
 - Increases number of H2A visas
 - Allows temporary visas to be renewed while in country
 - Passed House, still in Senate

Renewable Diesel



- Vegetable oils refined to be exactly like diesel fuel. It's a drop in fuel.
- Direct replacement for petroleum diesel fuel
- Some of the most favorable greenhouse gas (GHG) reduction scores
- Fits requirements of Renewable Fuel Standards (RFS) and California Low-Carbon Fuel Standard (LCFS)
- Also used for Sustainable Aviation Fuel (SAF)
- United Airlines Flight to Washington DC on SAF

Renewable Diesel

- “SAF has the potential to deliver the performance of petroleum-based jet fuel but with a fraction of its carbon footprint, and according to the [U.S. Department of Energy](#), the country’s vast feedstock resources are enough to meet the projected fuel demand of the entire U.S. aviation industry.” – United Airlines Press Release 12/1/2021



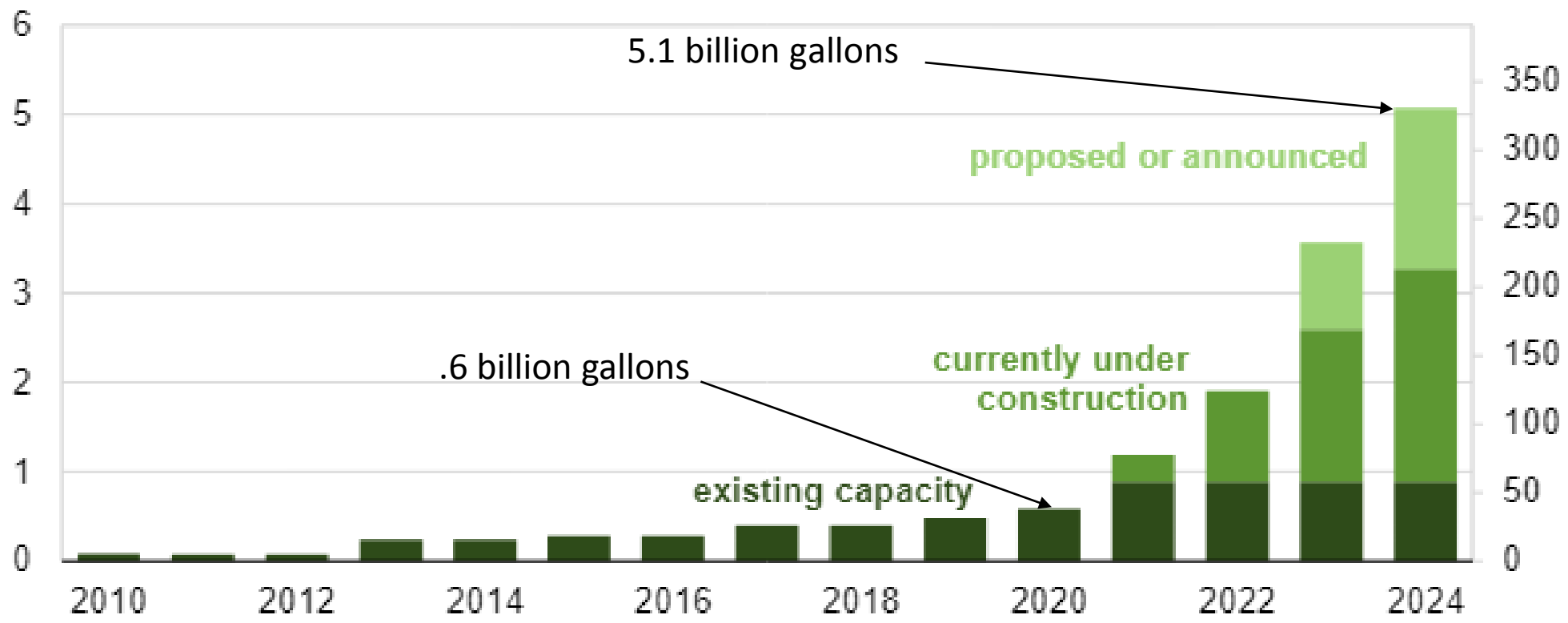
Renewable Diesel

Existing and expected U.S. renewable diesel production capacity (2010–2024)



billion gallons per year

thousand barrels per day



Source: Graph by the U.S. Energy Information Administration (EIA), based on data from company announcements in trade press

Renewable Diesel



- Early stages
- Some of these may not come on-line
- If they do –
 - NDSU Agriculture by the Numbers – September 2021
 - An increase from 4.5 billion pounds of vegetable oil, animal fat and grease
 - To 38.2 billion pounds
 - More than 150% of current U.S. soybean oil production
- What does that mean for canola and canola oil?

Midterm Elections

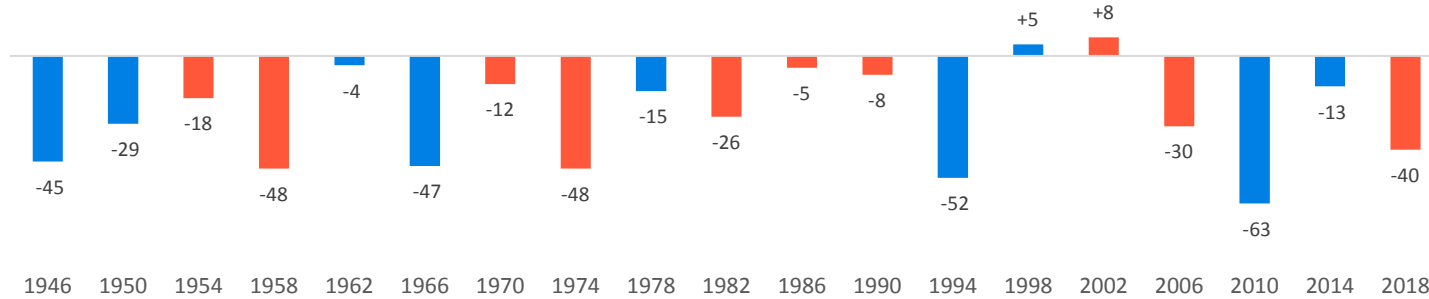
Historically, the president's party loses seats in midterm elections



President's party gain/loss of seats in House

MIDTERM ELECTIONS, 1946-2018

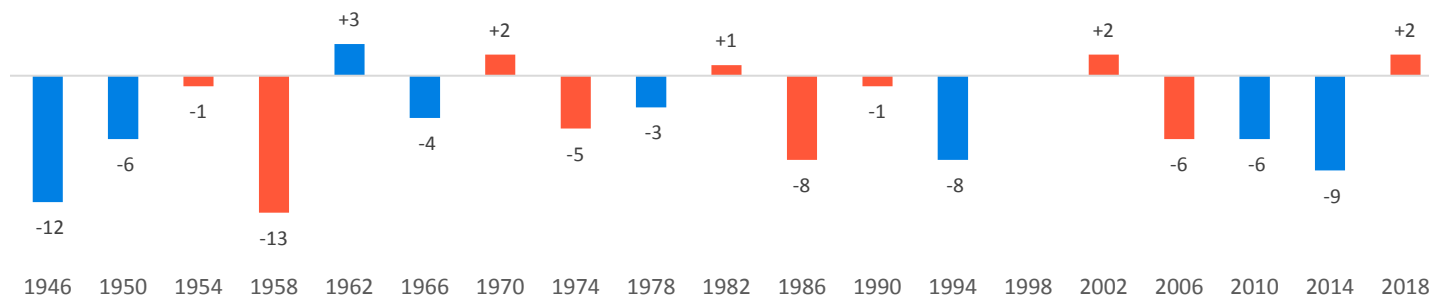
■ Democrats ■ Republicans



President's party gain/loss of seats in Senate

MIDTERM ELECTIONS, 1946-2018

■ Democrats ■ Republicans



The last four presidents have lost Senate and House majorities; seven of those eight chambers were lost in midterm elections



**President
Bill Clinton (D)**

Republican gains in the
1994 midterms:

52 seats in the House
8 seats in the Senate



**President
George W. Bush (R)**

Democratic gains in the
2006 midterms:

30 seats in the House
6 seats in the Senate



**President
Barack Obama (D)**

Republican gains in the
2010 midterms:

63 seats in the House
6 seats in the Senate

Republican gains in the
2014 midterms:

13 seats in the House
9 seats in the Senate



**President
Donald Trump (R)**

Democratic gains in the
2018 midterms:

40 seats in the House
-2 seats in the Senate

Note: Trump's Senate
loss in 2016 was the only
loss of a chamber in the
past four presidencies to
not occur during a
midterm.

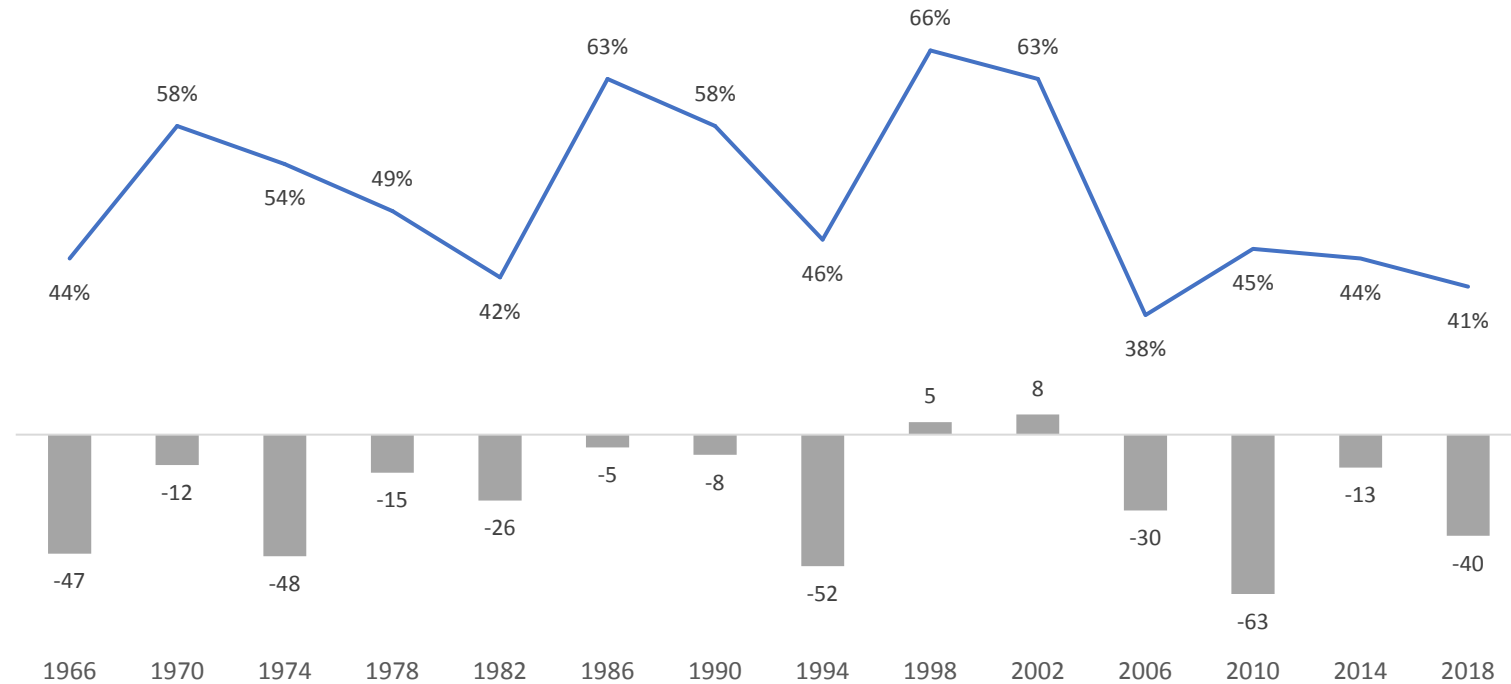
Presidents with a sub-50% approval rating lose an average of 36 seats in the midterms



Presidential job approval vs. midterm results since 1966

■ Gallup presidential approval the week before the midterm
■ Seats gained/lost by president's party in the midterm

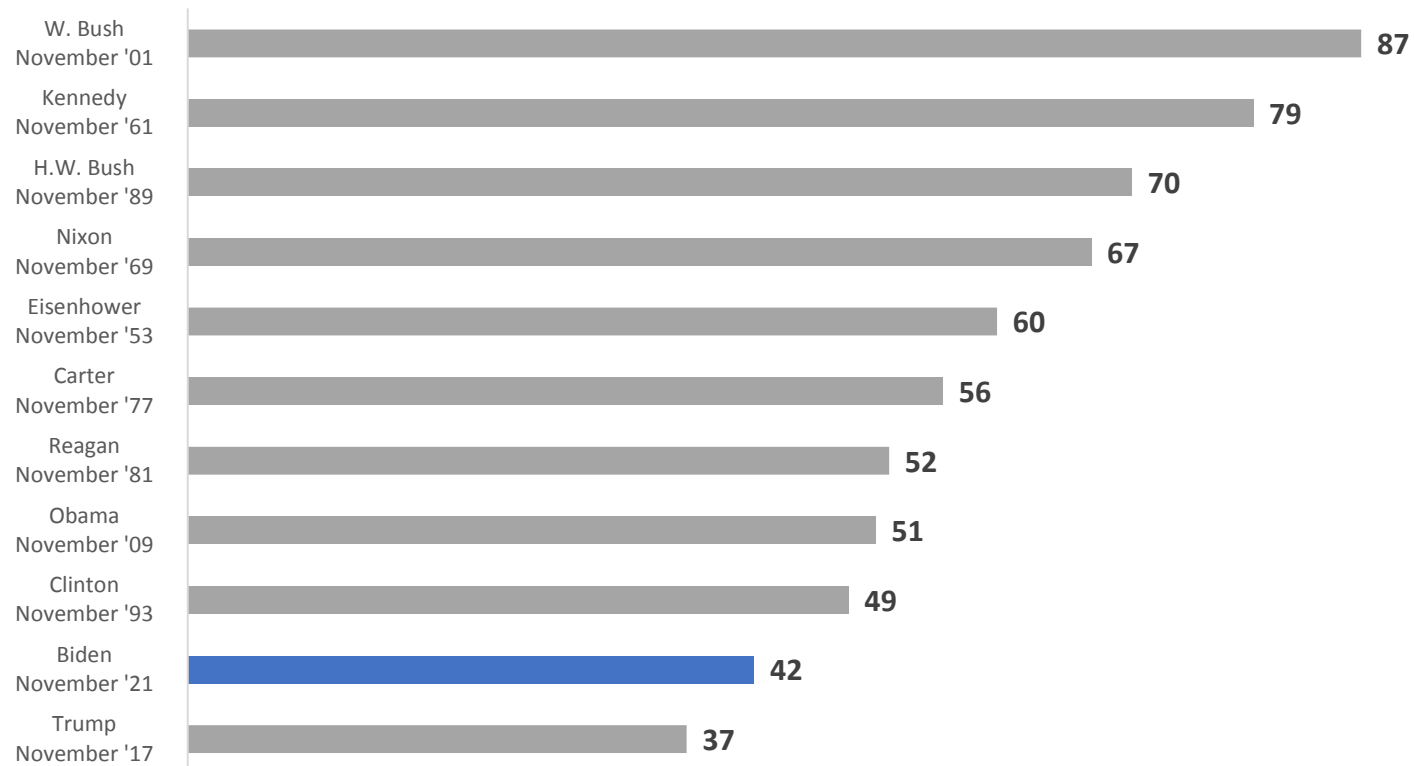
JOB APPROVAL	AVERAGE CHANGE
Over 60%	+3 Seats
50%-60%	-12 Seats
Under 50%	-40 Seats



Biden's approval rating is lower than those of many recent presidents at this point in their presidencies

Gallup comparative presidential approval ratings

IN NOVEMBER OF EACH PRESIDENT'S FIRST YEAR



SOURCE Gallup.

SLIDE LAST UPDATED ON 12/3/21

Farm Bill 2023



- Very likely have Republican House & Senate
- Ag Titles
 - ARC/PLC
 - Crop Insurance
 - Research
- Conservation Title
- Nutrition Title
 - Increased through ARPA and other COVID relief legislation
 - Groups may demand work requirements again
 - States are allowed to grant waivers

Tidal Wave - What can you do?

- Be prepared
 - Stay informed
 - Watch for opportunities
 - Be a risk manager and an opportunity manager
- Manage the margin
 - Lock in sales
 - Lock in inputs
- Be involved
 - Commodity groups
 - Ag organizations
 - Make your voice heard in a positive manner



What can you do?

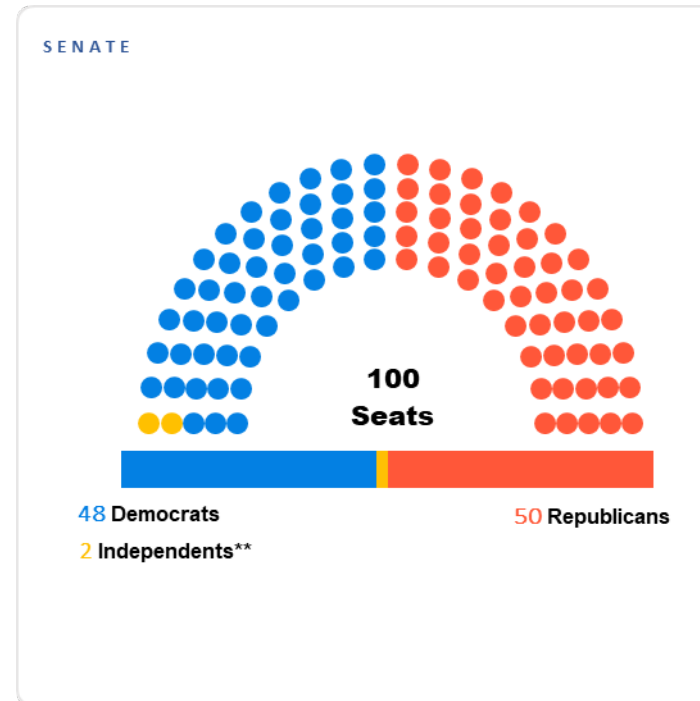


- Midwest Council on Agriculture
 - Six-state coalition of farmers, ranchers, agribusinesses, commodity groups, and agricultural lenders
 - Advocate for strong agriculture and economic policy
 - Promote long-term sustainability of the agriculture industry in the Midwest region.
 - Collin Peterson and The Peterson Group
 - Bill Northey



Summary

- Gridlock
 - Debt Ceiling
 - NDAA
 - BBB
 - Closely divided Congress
- Tidal Wave
 - Infrastructure
 - Build Back Better
 - Climate
 - Carbon credits and carbon market
 - Sustainable ag incentives
 - Renewable fuels



Questions?

