

The State of the US Economy, Agriculture Transportation and the Risks and Opportunities of Climate Change on the Ag Economy

Description: In this episode of *The Forward Thinking* podcast, host Stephanie Barton is joined by Joe Somers, Director of Consulting in Agribusiness, Chris Varvares, VP and Co-head of US Economics and Paul Bingham, Director, Transportation Consulting all with IHS Markit, now a part of S&P Global. They have come together for a conversation about three critical topics in the US economy - agriculture transportation, climate change, and the ag economy specifically. There are no simple or fast answers to the problems facing the ag economy today, but the forward thinking advice and insights of today's guests prove that there are solutions that have the potential to improve performance and sustainability in the future.

"The US is facing a very sharp timing of financial conditions, whether its rising interest rates, weakness in the stock market or rise in the US dollar." — Chris Varvares

Today's Insights Include:

The current state of the US economy

- + Currently tottering on the edge of recession, the US is facing the sharp edge of inflation.
- + Rising interest rates, weakness in the stock market and the rise in the US dollar are all diminishing US demand and slowing supply growth.
- + A possible recession is likely to be relatively short lived and relatively mild.
- + Chris shares his insights on how high land interest rates are likely to go.

The impact of climate change on ag transportation

- + Climate change affects reliability which in turn affects performance.
- + 2022's severe drought is an example of what can be expected in the future.
- + Increasing disruption is also expected in the future.
- + Geopolitical threats also have the potential to impact production.

The challenges of infrastructure and transportation

- + Beyond climate change, there are key inadequate bottleneck areas where the US has suffered from disruption in the past.
- + An imbalance of supply and demand has greatly affected productivity.
- + Today, conditions are improving everywhere from air freight and water freight and rates are going down.

The impact of market shifts and geopolitics on agriculture

- + Climate change is not only affecting extreme weather, it also affects growing areas, water access, and transportation choices.
- + Beyond just US agriculture, there is a major global impact as well.
- + The geopolitical impact on markets will likely not be reversing anytime soon.
- + A strategic outlook needs to extend beyond the next year.
- + Investment decisions need to consider the long term factors that are at work.
- + The pandemic has increased the awareness that is needed to make effective improvements.

Climate change risks to the ag economy

- + Climate change, for the farmer, is a longer-term concern that will have a major impact in 20-40 years out.
- + Extreme weather events, including drought, have the potential to severely impact production.
- + Although some northern countries will benefit from higher temps, lower yields can be expected in most production areas around the globe.
- + Potential carbon and water credit benefits will not occur immediately but will be seen over time.
- + Even though there are challenges to implementing ag management practices, the value is there to do it over time.

Tackling the long game

- + There is a variety of research and scientific changes that could help tackle climate change for the better.
- + Gene editing and precision agriculture can help support sustainability.
- + Carbon and water credits can be made available to offset tax.
- + A focus on sustainability and ESG needs to increase in the United States.
- + Patience is going to be an essential component to tackling climate change.



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Resources

IHS Markit, now part of S&P Global, has been a longtime Passkey Partner. They serve Farm Credit by delivering insights and leading data and technology solutions to address the most difficult challenges of financial markets. In recent years, IHS Markit has provided stress-testing scenarios to Farm Credit entities, helping them gain a complete picture of risk in their lending portfolio. Some recent analyses have focused on incorporating climate and geopolitical risks into scenario design and stress-testing practices.

Get in touch

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Tweetables

"Even though there are challenges to implementing ag management practices, the value is there to do it over time." — Joe Somers