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I was able to visit Argentina a few years ago and was treated to a farm tour there. They have a very productive Agriculture benefiting from high quality land and resources that allowed them to produce above average crops despite below average inputs. They have a very short term horizon investing as little as possible. They no-till, use silo bags for storage because it works there but also because it is low investment. We continue to hear of flooding and crop losses due to wet conditions there and I saw that on my trip where ponding would cost them portions of fields and little/no drainage infrastructure hurt their production.

They have heavy soils not unlike home in Iowa where we have invested heavily into field drainage systems over the years. Royal, Iowa, where our office is and where I grew up, was considered a swamp once before being drained. I spent money on field tile again this fall as wet conditions made it easy to identify further need. University studies show corn yield responses from 10-45 bpa and soybean yields that were 4-15 bpa higher when fields were properly drained. Tile pays no matter what the price of corn. Climate Change has resulted in higher annual rainfall totals for the WCB. When conditions were dryer there was less need for tile. I feel like I have already spent a lot of money mitigating Climate Change given the investment our farms have made in tile.

I was puzzled as to why these investments had not been made in Argentina given the apparent need. One reason is that in order to make a capital investment you had to have a return. Farming is structured differently in Argentina. There is often an absentee landowner who hires farm managers who hire custom operators to farm the farm. No one entity would make the investment, which they are loath to do because of economic conditions in that country, and they could not get their return back without collective participation. The return gets diluted between the entities. The bottom line is that they have poor drainage systems costing them productivity in Argentina. They could use a lot of tile.

Conversely I don't think that I ever saw tile in Bahia, Brazil as they didn't need it as soil composition allowed for natural drainage there. They could flood one day and ponding would be gone the next. Much of Brazil is tropic so they typically get more rainfall than needed to produce a crop. Bahia is more vulnerable because they need regular rains. NE Brazil tends to dry out during El Nino years. This is not an El Nino year.

Lack of farm drainage tile is far from the reason why Argentina's economy has been in decline now for nearly 100 years. In 1914 Argentina was considered one of the top 10 richest countries in the world. Once upon a time, long ago, New York and Buenos Aries were considered equals with the latter being called the Paris of South America. Given Argentina's rich natural resources, highly literate population, export oriented Agriculture and industrial base, most economists expected that Argentina would be faring much better than it has.

The problem, according to Brazilians, is the Argentinians. Given the problems in Brazil they can hardly cast any stones. They blamed Argentine economic incompetency on the government but they just replaced that and put a J.P. Morgan Wall Street expert in charge of the economic policy, and inflation just went from 30% to 40% and they fired him. The new President lifted capital controls and allowed the peso to float which was thought to be what was needed to happen to build investor confidence.

When I was in Argentina you paid your hotel bill with dollars at a much better rate than the official exchange rate. The currency shock, however, proved to be greater than the Central bank's reserves which have since been

depleted. Investors also looked for the government to get their fiscal deficit under control but the political forces have not allowed that to happen.

Argentine society is ingrained with expectations of subsidies with the government financed by tariffs. No one has the stomach there to go through the austerity that would be necessary to squelch spending and inflation. Former president, Christina Kirschner, was perceived as being the populist problem keeping Argentina from a long deserved economic recovery and what they are finding out is that the reasons for their stagflation are much more deeply ingrained into things requiring vastly greater fiscal austerity than the populace is willing to accept. Argentinians have been living far above the standard of living than their economy was producing. There was great anticipation for change when Macri was elected president. That new hope looks particularly vulnerable.

I think field tile may be the best bellwether for an Argentine economic recovery. When they reform to the point where someone can look long term enough to invest in field tile drainage systems in Argentina I would take that to mean they have turned a corner on their long history of economic malaise. "Drain the swamp" may be a more fitting political slogan for Buenos Aries than Washington.

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