

AG POLICY UPDATE

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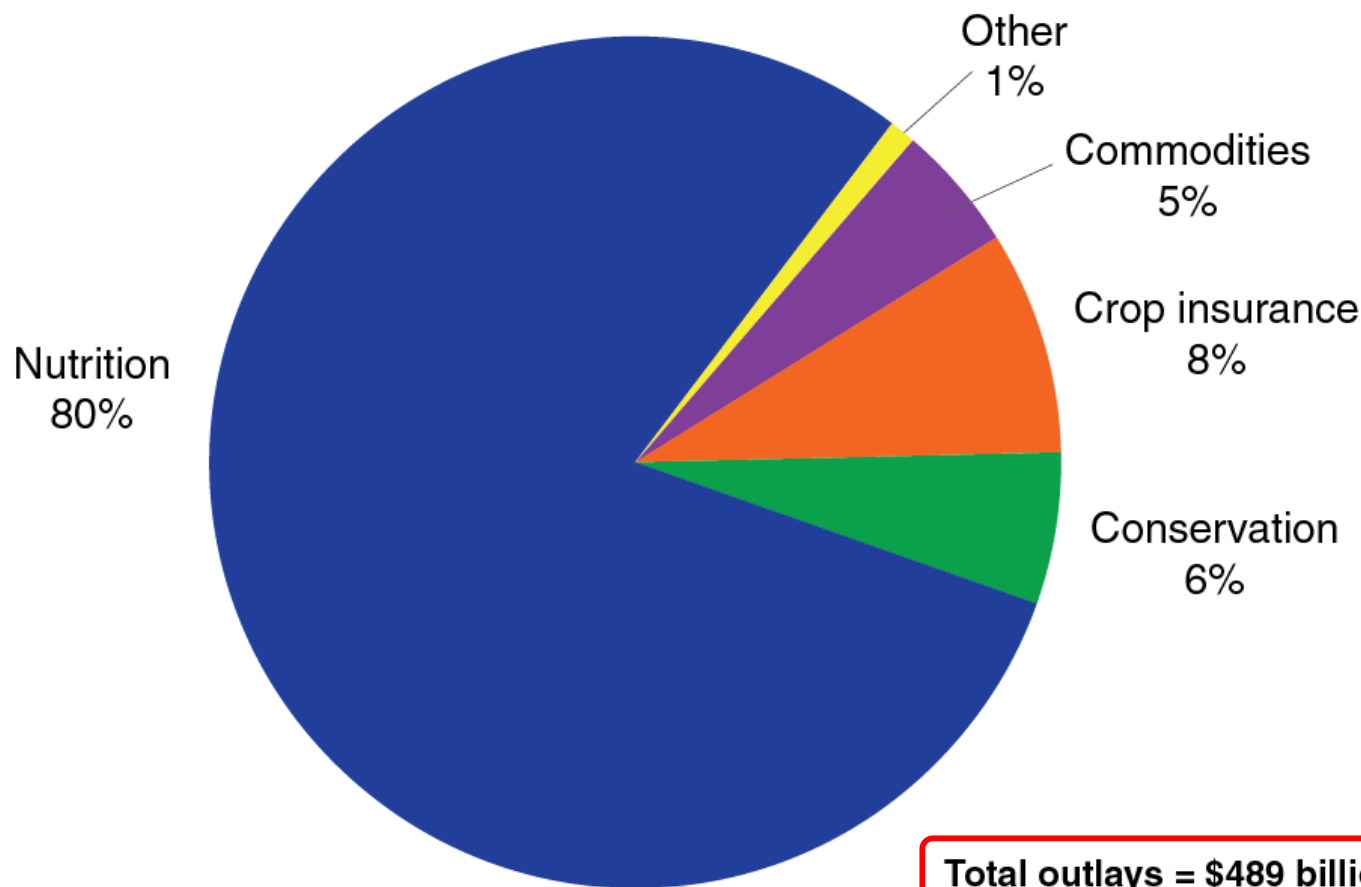


Goal Today

- Look at 2014 Farm Bill and what it has done in terms of crop support for WI farmers in 2018
- Look at the changes made to crop support by the new 2018 Farm Bill

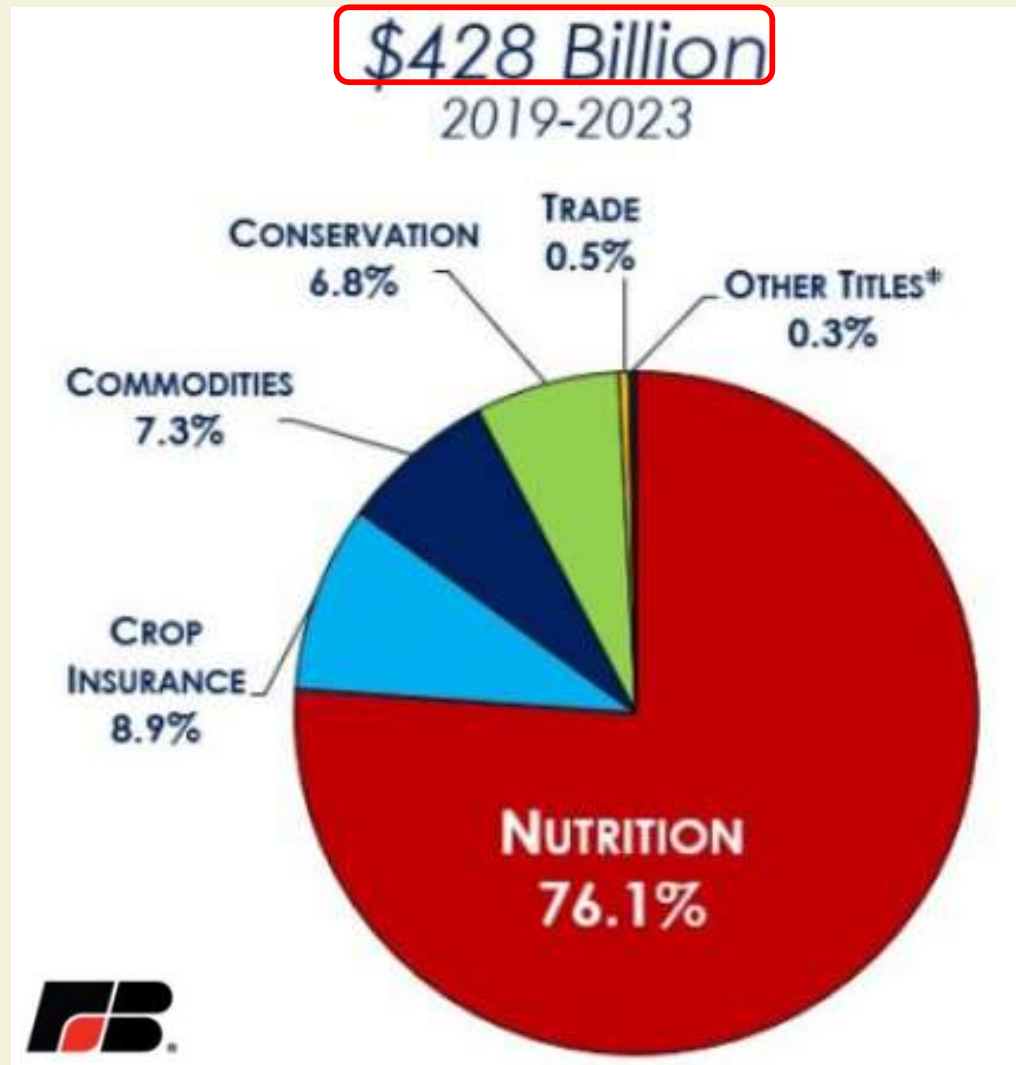
2014 Farm Bill Spending by Category

Projected outlays under the 2014 Farm Act, 2014-2018



Source: USDA Economic Research Service using data from Congressional Budget Office, Cost Estimates for the Agricultural Act of 2014, Jan 2014.

2018 Farm Bill Spending by Category



Source: <https://www.fb.org/market-intel/reviewing-the-2018-farm-bill-baseline>

2014 Farm Bill

- Created Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) for program crops
- County ARC: Revenue floor based on historical county average yields and national marketing year average prices
 - Payment made if actual revenue fell below floor
- PLC: Price floor of \$3.70 for corn and \$8.40 for soybeans
 - Payments made if national marketing year average price below the floor
- Farmers had to choose ARC or PLC for each crop, locked in for life of the Farm Bill
 - Nationally, most corn and soybean farmers signed up for ARC, wheat was about 60% for ARC, 40% for PLC

ARC and PLC Payments in the US

(\$ million)

| Crop Year | Year Paid | PLC | ARC | Total |
|-----------|-----------|-------|-------|-------|
| 2014 | 2015 | 774 | 4,486 | 5,260 |
| 2015 | 2016 | 1,915 | 5,893 | 7,808 |
| 2016 | 2017 | 3,249 | 3,764 | 7,013 |
| 2017 | 2018 | 1,436 | 1,015 | 2,451 |

- ARC payments decreased 73% from last year
- Total payments (ARC+PLC) down 65% from last year

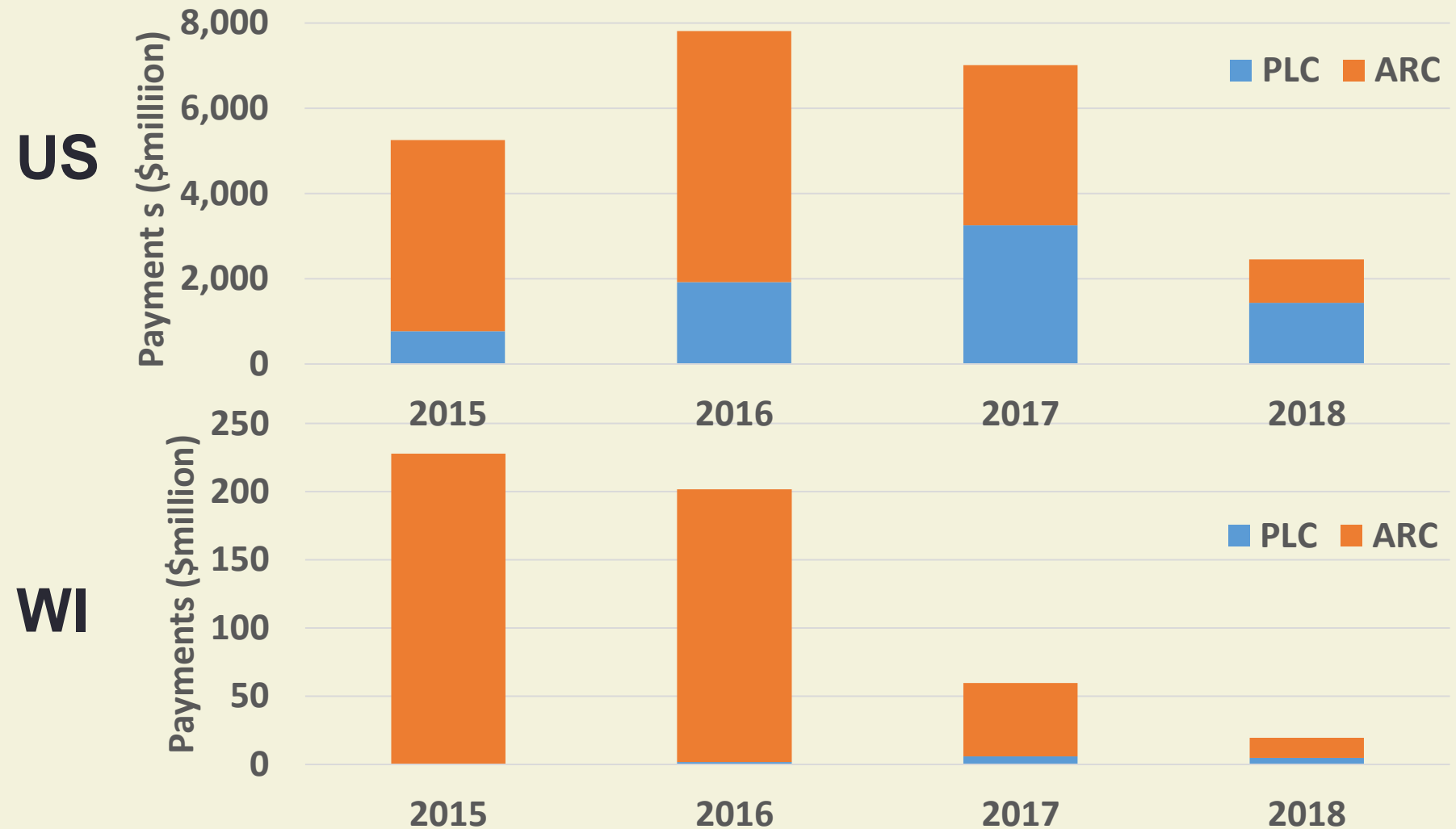
ARC and PLC Payments in WI

(\$ million)

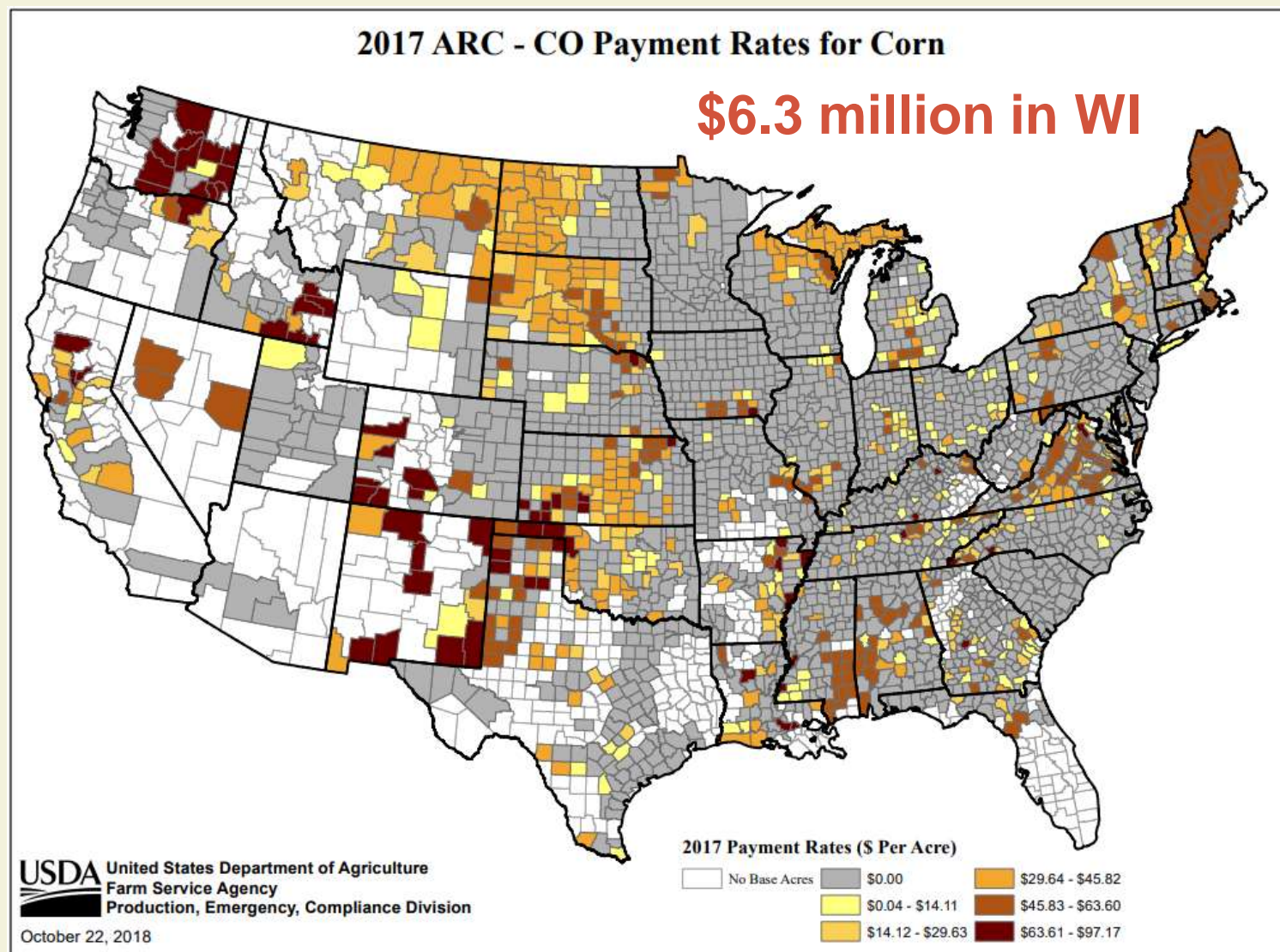
| Crop Year | Year Paid | PLC | ARC | Total |
|-----------|-----------|-----|-----|-------|
| 2014 | 2015 | 0 | 228 | 228 |
| 2015 | 2016 | 2 | 200 | 202 |
| 2016 | 2017 | 6 | 54 | 60 |
| 2017 | 2018 | 5 | 15 | 19 |

- ARC payments decreased 73% from last year
- Total payments (ARC+PLC) down 67% from last year
- Payments in 2018 are less than a tenth of what they were in 2015 and 2016

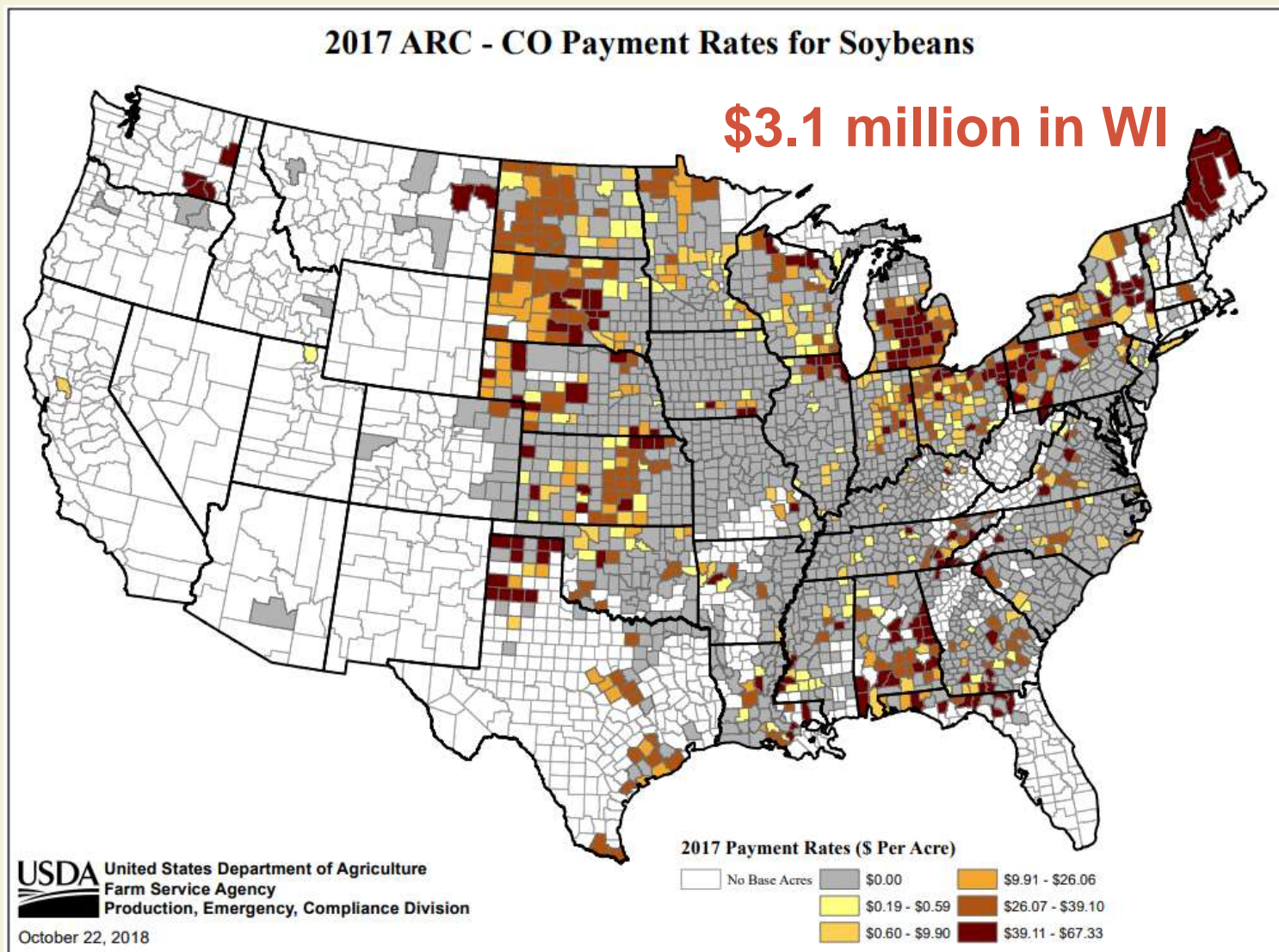
ARC and PLC Payments: US vs WI



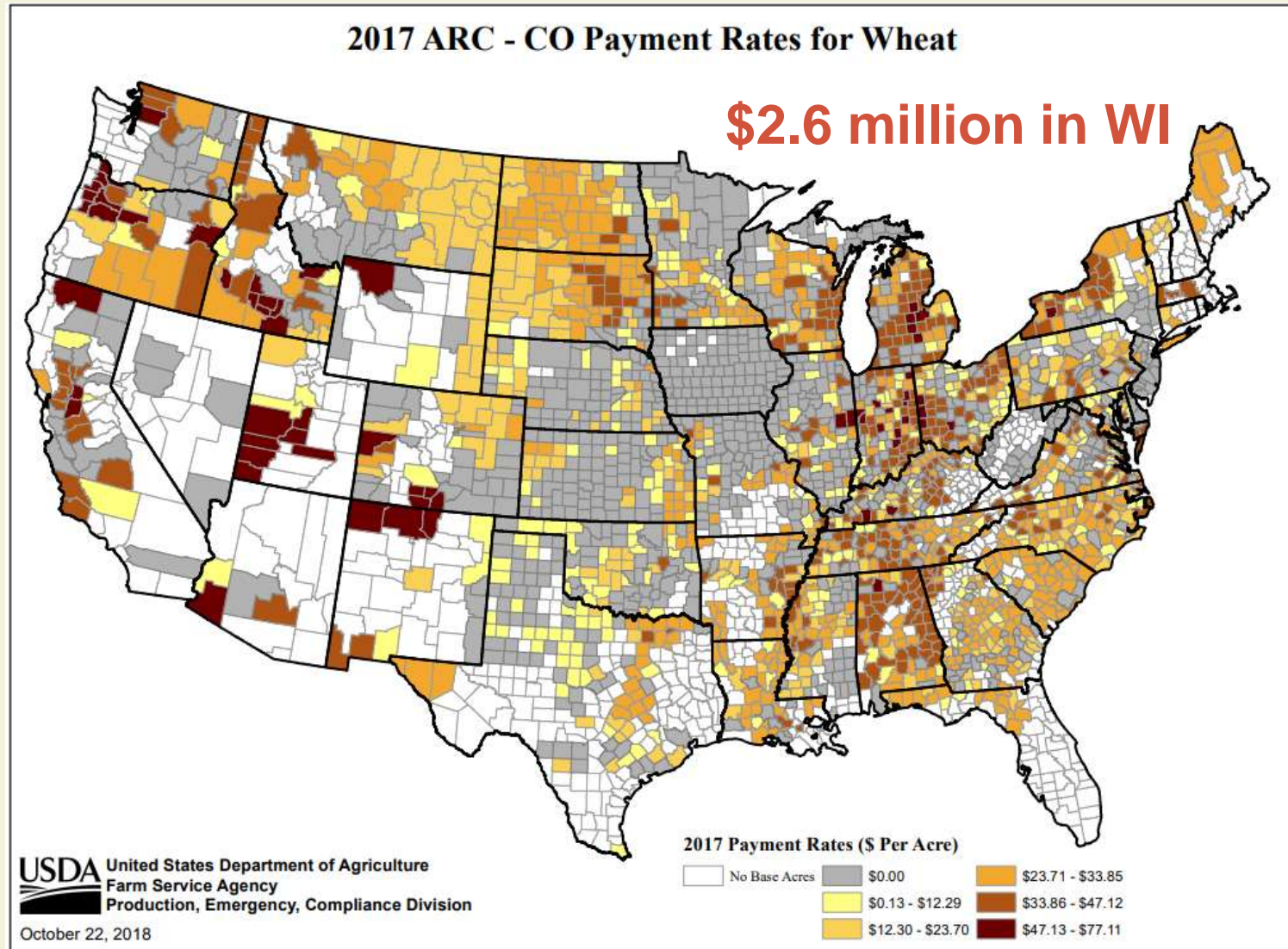
ARC Corn Payments made in 2018



ARC Soybean Payments made in 2018



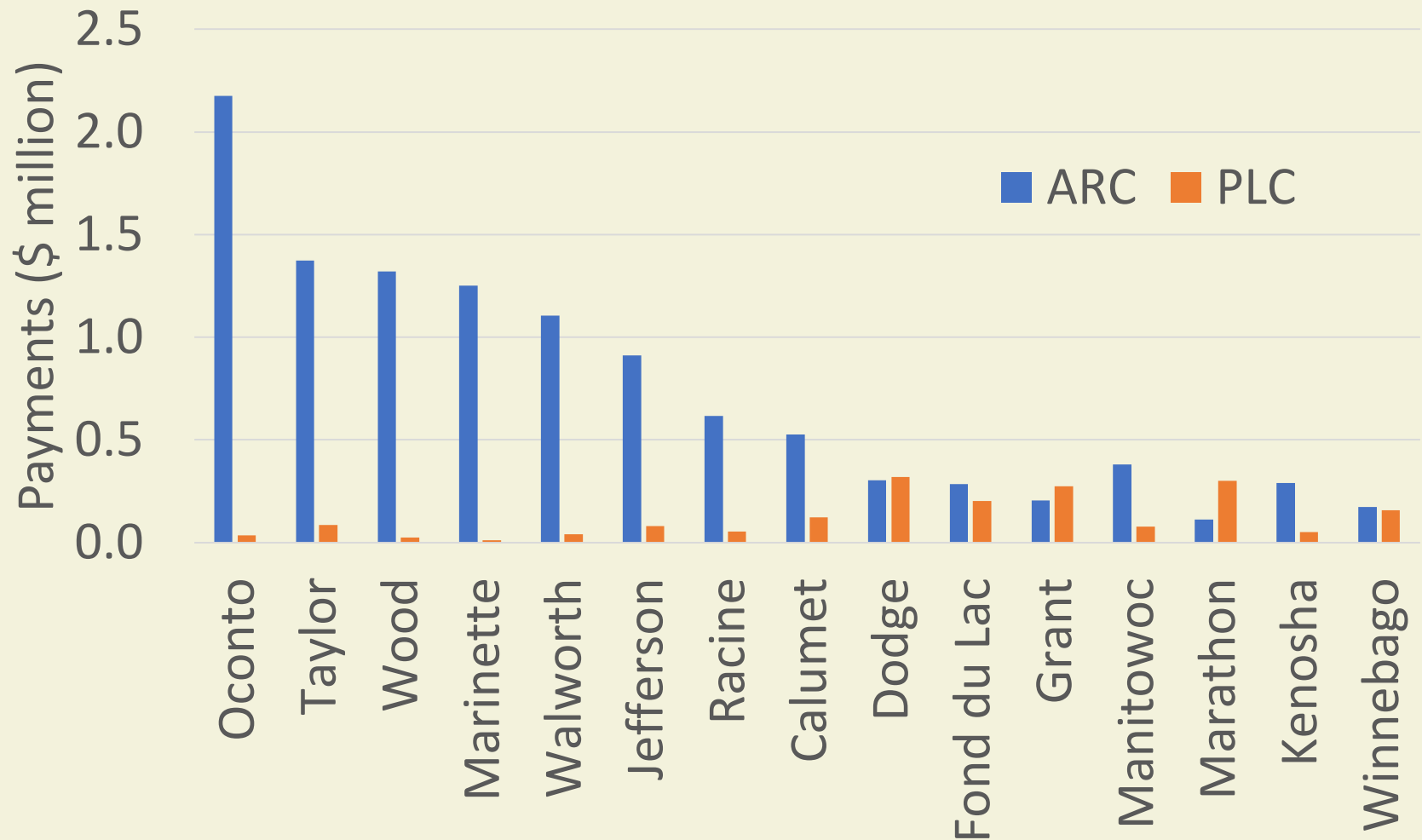
ARC Wheat Payments made in 2018



ARC and PLC Payments Made to Wisconsin Farmers in 2018 by Crop

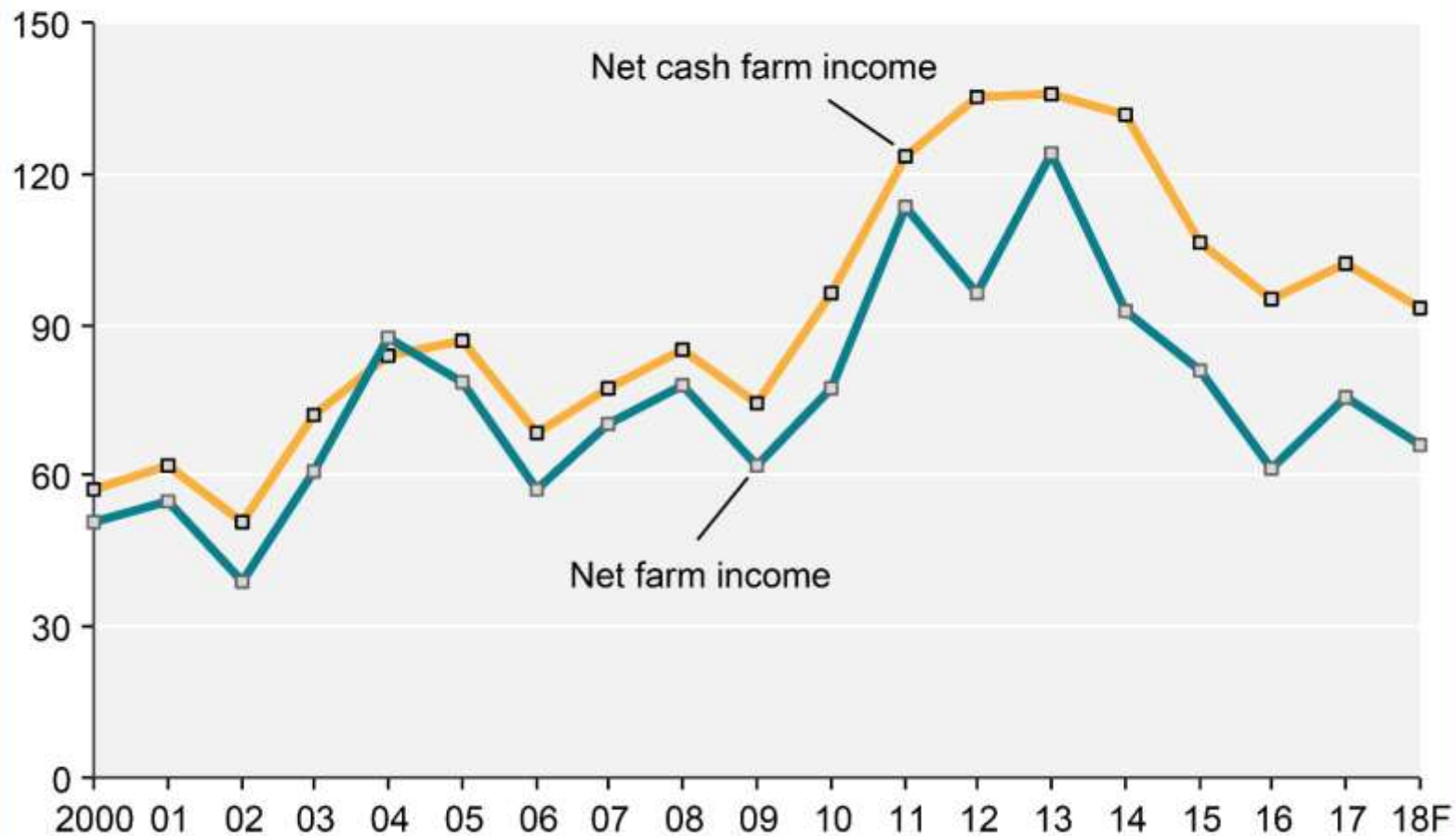
| Crop | ARC | PLC | Total |
|----------|------------|-----------|------------|
| Barley | 384,923 | 79,651 | 464,574 |
| Canola | | 145 | 145 |
| Corn | 6,311,164 | 3,966,751 | 10,277,915 |
| Oats | 2,103,485 | | 2,103,485 |
| Dry Peas | 370 | | 370 |
| Sorghum | 5,371 | 1,320 | 6,691 |
| Soybeans | 3,126,689 | | 3,126,689 |
| Wheat | 2,596,303 | 820,024 | 3,416,327 |
| Total | 14,528,305 | 4,867,891 | 19,396,196 |

Top 15 WI Counties for Total Payments Made to Farmers in 2018



Net farm income and net cash farm income, 2000-18F

\$ billion, nominal



Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of November 30, 2018.

2018 Farm Bill

- 2018 Farm Bill passed in a time of declining commodity support payments and low farm income
- What did Congress change with the 2018 Farm Bill?
- Not much!
- Basically for crops, Congress felt the current ARC/PLC programs and Crop Insurance still provided an effective farm safety net
 - Tweaked program details for crops, no major changes in commodity support or crop insurance
- Dairy: Changed the (unpopular and ineffective) Margin Protection Program (MPP) to Dairy Margin Coverage (DMC) to give better price support, especially for smaller dairies

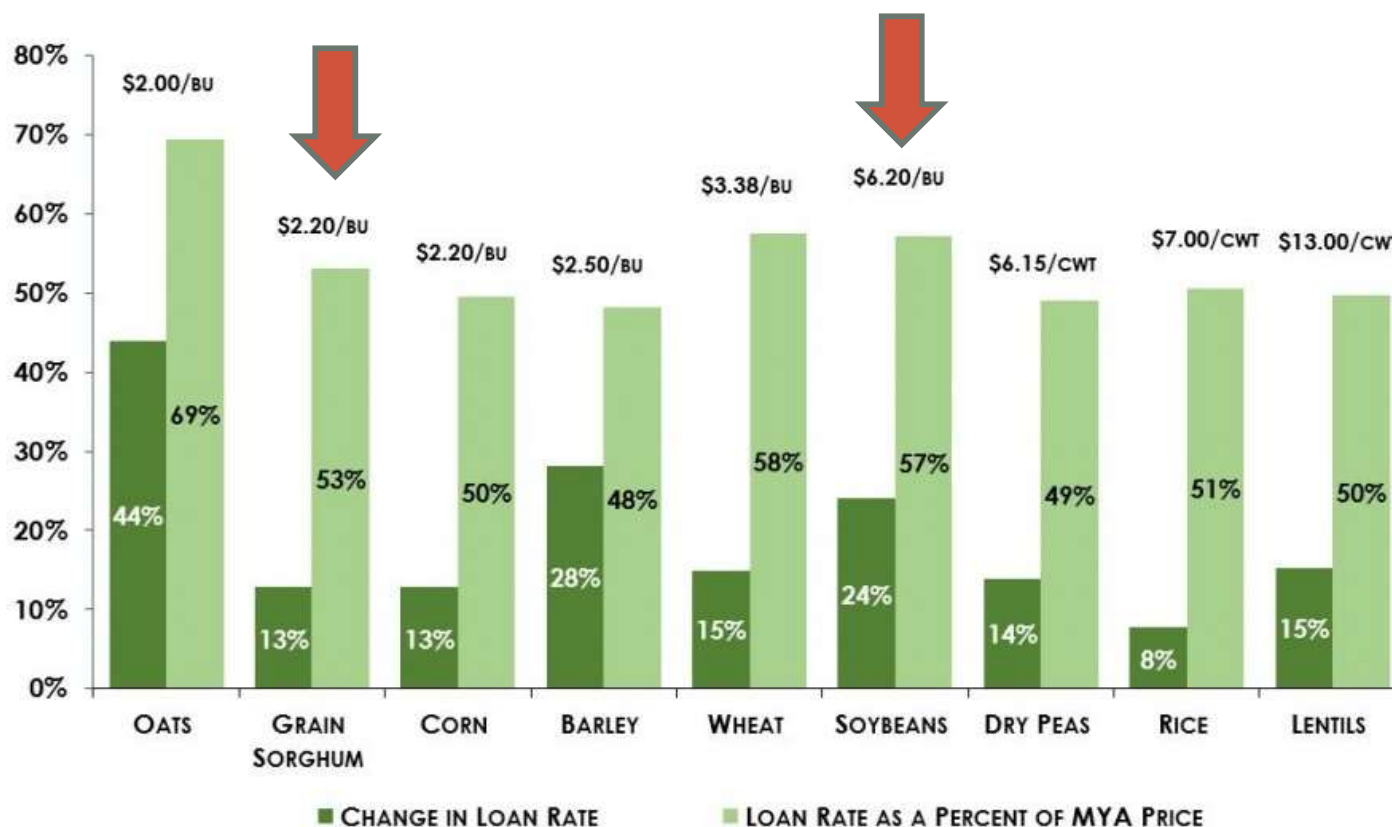
2018 Farm Bill Commodity Support:

Loan Rates Increased

- Marketing Assistance Loans
 - Low interest loans using harvested grain as collateral based on the loan rate
 - Corn now \$2.20/bu compared to \$1.95/bu before
 - Soybeans now \$6.20/bu compared to \$5.00/bu before
- Loan deficiency payments (remember LDPs?) made if pay back loan when the posted county price is below the loan rate

2018 Farm Bill Commodity Support: Loan Rates Increased

Figure 1. Change in Marketing Loan Rates and Marketing Loan Rates as a Percent of 10-Year Average Price



2018 Farm Bill Commodity Support:

PLC Changes

- 2014 Farm Bill: PLC Reference Prices fixed
 - \$3.70 for corn and \$8.40 for soybeans
- 2018 Farm Bill: PLC Effective Reference Price has the same floor, but now allowed to “float” higher
- Effective Reference Price = larger of the Reference Price and 85% of the 5-Year Olympic Average of the National Marketing Year Average Price
- Basically it raises PLC price support when have history of high prices (like we had a few years ago)
- Will not affect the PLC price for the 2019 crop year for any major crops

2018 Farm Bill Commodity Support:

ARC Changes

- Small changes that will increase the price and yield used to calculate county revenue guarantees
- Use PLC effective reference price as price “plug” which can be higher than the original PLC reference price
- Use 80% of the RMA’s county T yield as a yield “plug” (was 70% before)
- Use RMA’s trend adjusted yield factors to increase county yield due to productivity gains
 - WI increase: corn ~0.9 to 1.9 bu, soybean ~0.3-0.5 bu
- RMA yield data, not NASS yield data primary source
- Means higher and more accurate guarantees, so ARC payments more likely triggered and larger when triggered

2018 Farm Bill Commodity Support:

Payment Yields and Program Selection

- Farmers can update payment yields for base acres using 2013-2017 data
 - **Recommendation: Always update payment yields when you can, even if you do not use or expect to use PLC**
- Old Farm Bill: had to choose ARC or PLC for each crop that locked in for the whole farm bill (2014-2018 crops)
- New Farm Bill: Again must choose ARC or PLC by crop, but only locked in for the 2019 and 2020 crops
- 2021 and beyond: ARC vs PLC becomes an annual election by crop
- Recommended choice (ARC vs PLC) will depend on national price expectations and your county's ARC revenue guarantee, **but expect big move to PLC**

2018 Farm Bill Commodity Support:

Crop Insurance Changes

- Cover crops no longer affect the insurability of the follow crop as long as cover crop is terminated following USDA guidelines
 - WI guidelines (subject to updating by USDA)
 - Terminate at or within 5 days after planting and before the crop emerges
 - No-till system: can delay termination by 7 more days, but still before the crop emerges
- Hemp now an insurable crop
 - No policy details available yet, as it will take at least 1-2 years to develop and approve a policy

2018 Farm Bill Commodity Support:

Conservation Program Changes

- Conservation Reserve Program (CRP): acres expanded slowly each year from 24 million now to 27 million by 2023 (~12% increase)
- Environmental Quality Incentives Program (EQIP): increased funding by about \$2 billion (~25% increase)
 - Field and practice focused
- Conservation Stewardship Program (CSP) retained but budget decreased to \$1 billion (~45% decrease)
 - Whole farm and landscape focused
- Overall funding level did not change much, just shifted

Market Facilitation Program

- Administration's program to support farmers impacted by tariffs due to trade war
- Payments based on production of specific commodities
 - Does not require base acres, just production
- Payment rates (WI commodities): Corn \$0.01/bu, Soybeans \$1.65/bu, Wheat \$0.14/bu, Dairy \$0.12/cwt
 - Other commodities: cotton, sorghum, almonds, cherries, hogs
- 1st round announced in Sep, 2nd round announced in Dec
- Sign-up Sep 24, 2018 to Jan 15, 2019 for both rounds
 - Deadline extended due to shutdown
- If grew these crops in 2018, go sign up, need to meet conservation compliance, have AGI info for 3 years

Shutdown Effects on Farmers

- Not ignoring the effects on employees
- FSA: not processing any types of loans, no disaster payments, though MFP payments being made if you already certified yields, but no new MFP sign-ups
 - About half of FSA county offices open for three days (Jan 17, 18 and 22) to help farmers with existing farm loans and to provide tax documents to borrowers such as 1099 forms
- RMA: Companies will still sell and service crop insurance policies, but policy details may not get updated for 2019 season if shutdown does not end soon (price elections)

Shutdown Effects on Farmers

- NRCS: no payments being made, using left-over funds to fund staff to do some technical assistance, but will run out
- USDA market news (AMS, NASS, ERS): only daily data, not publish any of the regular reports, situation and outlooks, annual summaries, etc.
 - Backlog growing, expect delays in some reports when shutdown ends
 - Will market uncertainty grow?
- ARS & NIFA: Research & research grants delayed

Summary

- 2018 Farm Bill did not make any major changes to commodity support, crop insurance or conservation programs
- Do not expect large ARC/PLC payments for 2019 crop
- File for MFP payments if have not already done so
- See FSA Jan 17, 18 and 22 if you have loans in progress, get your 1099 forms
- Shutdown effects on farmers will grow due to FSA closure and lack of USDA market information

Questions?
Comments?
Feedback?
Discussion?

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