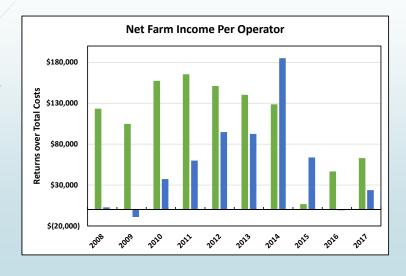
### Economic Conditions & the Title 1 Programs

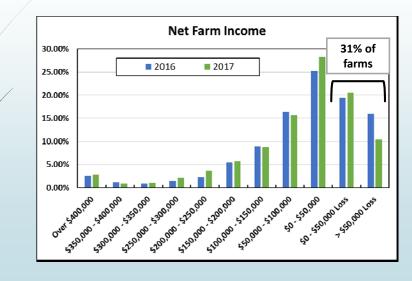
By Mykel Taylor and Art Barnaby Kansas State University <u>AgManager.info</u> 785-532-3033



### Net Farm and Ranch Income



### Distribution of NFI



## Farm Bill Issues

### Farm Bill Budget Outlook

- Big 4 account for 99% of spending
  - Commodities
  - Crop Insurance
  - Conservation
  - Nutrition (Supplemental Nutrition Assistance Program)
- Everything else fits in the 1%
  - Trade
  - Credit
  - Rural Infrastructure/ Development
  - Research, Extension, and Related Matters
  - Forestry
  - Energy
  - Horticulture
  - Miscellaneous

### 2018 Farm Bill Comparison

#### H.R. 2

- Reported by committee on partisan vote – April 18
- Failed on House vote 198-213 May 18
- Reconsidered in House passed 213-211 – June 21

#### S. 3042

- Reported by committee on bipartisan vote – June 18
- Passed in Senate 86-11 June 28

### Commodities

### Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
ARC v. PLC	Fixed reference price for PLC (and ARC)	Increased reference price (higher of	Thune/Brown amendment to reduce reference	Role of safety net?
, 	Moving average revenue	reference or 85% of 5-year OAP,	prices and strengthen ARC	Price v. revenue?
	guarantee at 86% for ARC	max of 115% of	not considered	Fixed vs. moving
	IOI ARC	reference price)		average protection?
		Eliminate ARC-IC		Responsiveness to low prices/income?
				ARC v. PLC decision in 2019 and 2019-23 price projections?

#### Commodities Major Components

	Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
/	ARC-CO Yields	5-year OAY – based on NASS/RMA/ committee	Shift to RMA data first Yield update for drought-	Shift to data with greatest national coverage first (RMA?)	Most representative yield history and calculation to protect
		Plug yield at 70%	affected counties	Plug yield from 70% to 75%	production?
			remains at 70%	Trend-adjusted 5-year OAY	
	ARC-CO Payments	Based on administrative county – opportunity for reconstitution to split combined counties		Shift to geographic county	

# Payment Limits Major Components

/	Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
	Program Payment Limits	\$125,000 per person or per entity			
	AGI Eligibility Limits	\$900,000		Reduces AGI cap from \$900,000 to \$700,000	Supports tied to production
	Direct Attribution and Entity Rules	Payments attributed to individuals for payment limit purposes regardless of entities, subject to 4 levels of entities	Relaxes entity rule - unlimited payments to qualified pass- through entities		or to farms? Entities vs. individuals?
		Entities also limited to single payment limit	Expands familial definition – nieces, nephews, cousins		What
	Active Engagement	Left hand contributions - land, labor, capital		Grassley amendment to tighten eligibility rules added into bill	defines/limits active engagement?
		Right hand contributions – active labor and management			

#### **Conservation** Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
CRP	Enrollment cap - 24 M acres	Expand cap to 29 M acres	Expand cap to 25 M acres	Budget-neutral cap and rental rate shift?
/	Rental rate – max of 100% of county average	Reduce maximum rental rate to 80%	Reduce maximum rental rate to 88.5%	Willingness-to- accept for CRP
	rental rate	Reduced rental rate cap for re-	Establishes Conservation Reserve Easements	re-enrolment?
		enrollment	Thune amendment	
			language added to create separate Soil Health and Income	
			Protection Program for short-term land retirement	

### **Conservation**

Major Components

I	ssue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
	Working ₋ands	EQIP up to \$1.75 B/yr, projected outlays of \$1.5- 1.7 B/yr over 2019-2023	Eliminates CSP, shifts stewardship payments to EQIP, raises EQIP by \$2.1 B, but cuts CSP by \$3.6	Reduces EQIP authority to \$1.5-1.6 B/yr, projected outlays reduced by \$626 M over 2019-23	Reduced funding for working lands programs?
		EQIP livestock share of 60%	B over 2019-23	Reduces EQIP livestock share to	
		CSP up to 10 M	Eliminates EQIP livestock share	55%	
		ac/yr, projected outlays of \$1.6-		Reduces CSP authority to 8.8 M ac/yr, projected	
		1.8 B/yr over 2019-23		outlays reduced by \$229 M over 2019-23	

#### Conservation Major Components

ue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
sement ograms	Budget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23	Increases budget authority to \$500 M/yr, increases projected outlays by \$979 M over 2019-23	Increases projected outlays by \$629 M over 2019-23	Role for easement programs?
gional Inservation rtnership ograms	Budget authority of \$100 M/yr, projected outlays of \$578 M over 2019-23	Increases budget authority to \$250 M/yr, increases projected outlays by \$558 M over 2019-23	Increases budget authority to \$200 M/yr, increases projected outlays by \$374 M over 2019-23	Role for partnership programs?
	gional nservation rtnership	gional Budget nservation \$100 M/yr, projected set authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23 Budget authority of thership \$100 M/yr, projected outlays of \$578	sement grams Budget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23 gional nservation thership grams projected authority to projected outlays by \$979 M over 2019-23 Budget student budget Increases budget projected outlays by \$979 M over 2019-23 Budget Increases budget increases budget increases projected outlays by \$979 M over 2019-23 Budget Increases budget increases budget increases budget increases budget increases budget increases budget increases projected outlays of \$578 M over 2019-23 projected outlays of \$558 M over 2019-23	sement ograms Budget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23 B over 2019-23 B over 2019-23 B budget authority to stoppington Budget Increases projected outlays by \$979 M over 2019-23 B budget Increases Increase Increase Increase Increases Increase Increase I

### Crop Insurance Major Components



Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Means Test	No limit		Durbin amendment to add \$700,000 AGI cap	Impact on large operations/participation Impact on remaining
/			withdrawn	operations, portfolio
Premium Subsidy Limit	No limit			performance, and actuarially- sound rates
Harvest Price Coverage	RP (w/ harvest price) – covers revenue based on higher of base or harvest price			Role of harvest price with marketing/hedging activity
	RP (w/o harvest price) - covers revenue based on base price			Economic rationale for RP w/harvest price vs. RP w/o harvest price
Premium Subsidy Rate	Variable rate – average of 62% on full portfolio			Producer willingness-to-pay
				Systemic v. idiosyncratic risk, role of subsidy
Standard Reinsurance Agreement	Renegotiated regularly - outside of farm bill			Company support and returns

### Food Assistance (SNAP) Major Components

	Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
/	Categorical Eligibility	Broad-based categorical eligiblity	Tightens rules, reduces projected outlays by \$2.3 B over 2019-23, \$5.0 B over 2019-28		Participation and support levels?
	Standard	Standard utility	Tightens rules, reduces		Eligibility rules?
	Utility Deduction	deduction in budget for benefit calculation	projected outlays by \$2.4 B over 2019-23, \$5.3 B over 2019-28		Benefit calculations?
	Work Requirement	Current work requirements of	Tightens rules, expands training, projected	Kennedy/Cru	Benefit delivery?
	s and Education/J ob Training	20 hours/week, but also existing waivers	outlays increase by \$910 M over 2019-23, decrease by \$1.5 B	amendment to tighten work	Work requirements?
			over 2019-28	requirements defeated	Education/job training assistance?

### 2018 Farm Bill Outlook

- House and Senate bills in conference negotiations Conference Committee report in early September?
- Path to Farm Bill completion
  - Vote before current farm legislation expires on September 30?
  - Vote after election in lame-duck session before end of the year?
  - Permanent legislation for dairy programs would take effect on January 1, 2019 if no new/extended legislation
- New producer ARC/PLC enrollment decision in 2019 under new/extended legislation

# Announced U.S. Trade Aid for Agriculture

- \$12 billion in federal assistance for agriculture
  - Market Facilitation Program (~\$8 billion)
    - Direct payments to producers for 2018 production of soybeans, sorghum, cotton, corn, wheat, dairy, and hogs
  - Food Purchase and Distribution Program (~\$4 billion)
    - USDA purchases of surplus commodities (lost exports) for food, feeding, and donation programs
  - Trade Promotion Program (~\$200 million)
    - Leveraging private sector dollars to develop new foreign markets

### PLC and ARC-CO Enrollments



Crop	ARC-CO	ARC-IC	PLC	Base Acres in KS
Wheat	66.4	0.2	33.4	49.5
Corn	76.3	0.3	23.4	21.1
Soybeans	78.9	0.2	20.9	12.9
Grain Sorghum	44.9	0.1	55.0	15.6

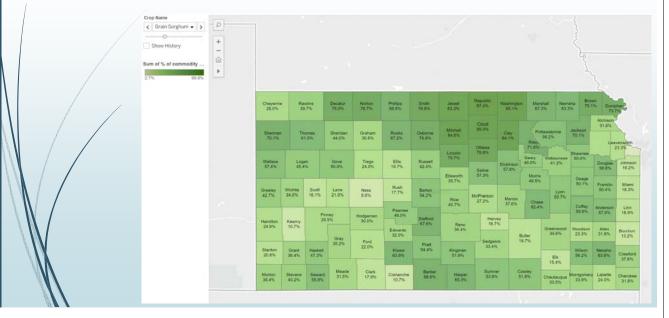
### ARC-CO Enrollment - Wheat

	Crop Name	۹ + - ه .													moles of		
			Cheyenne 97.9%		ofins 0%	Decatur 93.6%	Norton 94.2%	Philips 90.2%	Smith 95.1%	Jewel 85.7%	Republic 88.7%	Washingt 93.0%		shail Nem 8% 81.0		N Dori	and a
			Sherman 00.3%		omas 1.3%	Sheridan 42.1%	Graham 75.2%	Rocks 01.9%	Osborne 87.7%	Mitchell 92.1%	Cloud 91.3%	Clay 90.9%	Riey	ttawatomie 72.0%	Jackson 72.2%		avenacion
			Wallace 70.3%	Logi 78.9		Gove 69.0%	Trego 83.1%	Ella 61.2%	Russell 73.4%	Lincoln 90.7%	Saine	Dickmoon 87.3%	Geory	Wabaunsee 75.4%	Shaanee 63.3%	Douglas 09.3%	40.3% Johns 40.7*
			Greatey 65.9%	Wichita 51.5%	Scott 35.9%	Lane 71.1%	Ness 78.7%	Rush 49.6%	Barton 66.6%	Elsworth 81.4%	92.7% McPherson	Marion	Morris 68.8%		Osage 74.7%	Franktin 76.2%	
$\mathbb{N}$			Hamilton	Kearny		ney T%	Hodgeman 27.4%	Pauree 79.8%	Stafford	Rice 64.4%	72.4% Hate	84.0%	Chae 70.81	(a) []	Coffey 68.7%	Anderson 79.1%	Linr 46.01
			35.7%	39.0%		Gray 41.5%	Ford	Edwards 87,8%	083%	Reno 63.0%	82.0 Sedgei	a	Butler 50.1%	Greenwood 35.3%	Woodson 66,2%	Allen 53.9%	Bourbe 47.45
NX -			Stanton 50.7%	Onant 72.0%	Hashell 57.3%		53.2%	Kowa BB.B%	Pratt 69.7%	Köngman 75.1%	66.1%			Elk 29.9%	Wilson 79.9%	Neosho 75.7%	Crawle 75.91
			Morton 39.6%	Stevens 57.4%	Seward 77.0%	Meade 38.0%	Clark 28.0%	Comanche 3.2%	Barber 85.1%	Harper 88.8%	Suma 93.5%		Cowley 76.2%	Chautauqua 48.0%	Montgomery 76.5%	Labette 55.4%	Cherol 78.41

### ARC-CO Enrollment - Corn

Crop Nam C Original Star of % 27%	• • •													meters.		
		Chayenne 92.3%	Ra	neteris 2.4%	Decatur 95.5%	Noton 97.7%	Philips 91.5%	Smith 98.5%	Jewell 87.0%	Republic 05.2%	Washingto §7.2%	m Mars 95	hall Nem	ahe 94.2	M Donig 79	
		Sherman 07.4N	Th	xomas 8.7%	Sheridan 90.4%	Oraham 61.0%	Rooks 83.0%	Osborne 84.7%	Mitchell 93.3%	Cloud 92.9%	Cley 93.1%	Pol	tawatomie 90, 1%	Jackson 81.7%	Atchison 50.4%	1
		Walace 83.5%	Log	#n 7%	Gove 81.0%	Trego 37.4%	Elin 15.4%	Russel 64.4%	Lincoin 90.4%	Ottawa 79.5% Salme	Dickinson 77.3%	86.2% Geary 71.9%	Wabaunsee 85.9%	Shawnon BR.0%		Johnson 65.0%
		Greeley 71.2%	Wichite 78.1%	Scott 67.9%	Lane 51.0%	Ness 24.6%	Rush 29.2%	Barton 79.8%	Eleworth S8.8%	79.4% McPherson	Manon	Morris B8.5%		Osage 85.7%	Pranklin 65.9%	Marri 54.5%
		e succes			1174Y	Hodgeman	Pastee 85.4%	Stafford	Rice 70.0%	40.1% Harv	74.1%	Chas 78.79		Coffey 76.0%	Anderson 77.0%	Linn 61.1%
		Hamilton 82.9%	Keamy 65.7%		Gray	70.1%	Edwards 99.0%	96.2%	Reno 70.4%	76.2	% 	Butler 56.8%	Greenwood 65.2%	Woodson 89.1%	Allen 58.0%	Bourbon 68.7%
X		Stanton 87.7%	Grant 02.9%	Hashad	94.4%	Ford 67,1%	Klowa 03.4%	Pratt 91.5%	Kingman 75.0%	Sedgek 64.1%		20.5%	Ek	Witson 85.7%	Neosho 83.8%	Crawford 91.6%
N/		Morton 87.1%	Stevens 87.0%	General 92.8%	Meade 90.2%	Ctark 67.3%		Barber 89.8%	Harper 90.9%	Summe 83.9%	-	Coalley 72.1%	89.2% Cheutauqua 95.2%	Montgomery 92.2%	Labette 70.5%	Cherokee 90.3%

### ARC-CO Enrollment – Grain Sorghum

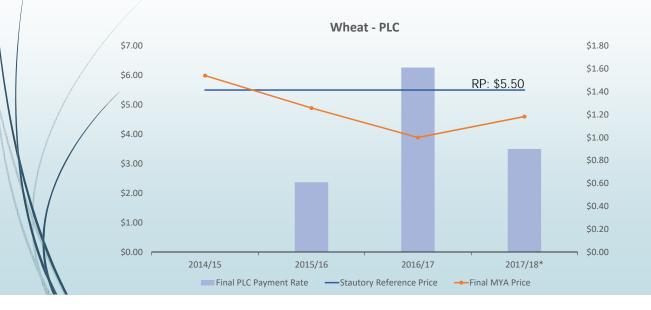


### ARC-CO Enrollment – Soybeans

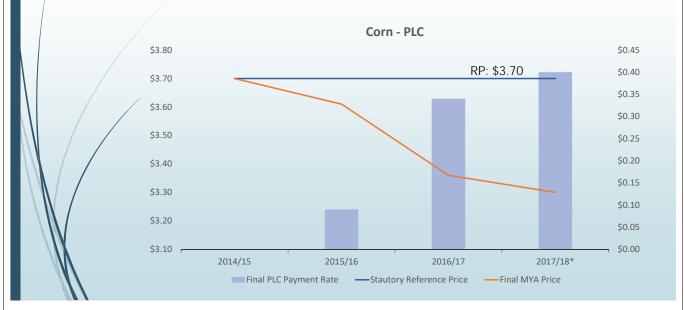
	Crop Name	ρ + - ω													- down		
	2.7% 99.9%		Chayerne 87.0%	Rat	w875	Decatur B0.3%	Noton 97.6%	Philipe 97.0%	Simithi Dit. 91s	Juniti 01.1%	Republic 96.0%	Washingto 96.2%	Maral DE T	alt Ner	saha Brow 97.6	Don 52	
			Sherman 97.7%	Th	07148 5.4%	Sheridan 90.7%	Graham 66.5%	Rocks 72.0%	Ostorne 89.2%	Michell 95.9%		Cirry 95.1%	Riey		Jackson 85.9%	Atchison 88.9%	IVANUED IN
			Wallace 65.7%	Logi 73.4	2	Gove 74.3%	Trego 15.5%	Elin 45.5%	Russel 78.2%	Lincoln 94.5% Elfaworth	Ottawa 87.0% Saline 65.7%	Dickinson 86.0%	77.0% Morria	Wabaunsee		Dougles	Johnson 80.4%
			Graeley 37.5%	Wichita 27.6%	Scott 49.0%	Lane 21.1%	Ness 20.9%	Rush 48,1%	Barton 66.9%	66.0% Rice 70.9%	McPherson 71.8%	Marion 89.8%	62.7% Chase 69.3%			Franklin 90.9%	70.8%
			Hamilton 34 6%	Kearny 20 1%	75	114y 235	Hodgeman 58.8%	Pannee 08.3% Edwards 98.0%	Stafford 09.7%	Reco 80.5%	Harvey 82.2%			Greenwood 66.2%	77.4%	80.8%	Bourbon 74.3%
X			Stanton 28.5%	Geant 73.4%	Haskell 96.0%	Gray 91.3%	Ford 51.8%	Kiowa 90,4%	Pratt 90.0%	Kingman 72.2%	Sedgwick 73.3%		80.6%	Elk 66.0%	Wison 89.1%	Neosho 88.0%	Crawford 93.4%
			Morton 52.7%	Stevens 05.0%	Seward 84.7%	Meade 04.4%	Clark 66.2%		Bater 54.9%	Harper 96.2%	Surrow 91.0%	-	Cowley 06.4%	Chautauqua 98.0%	Montgomery 01,4%	Labette 86.4%	Charokee 95.5%

## **PLC Payouts**

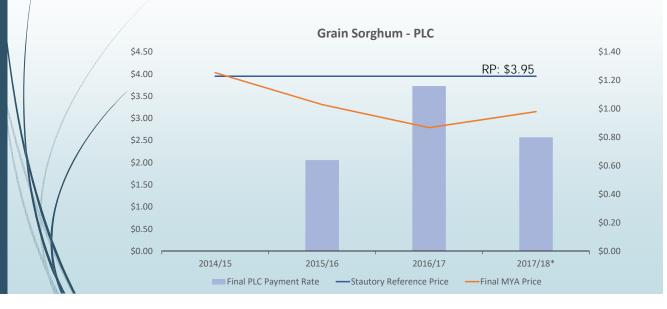
### Payments for PLC



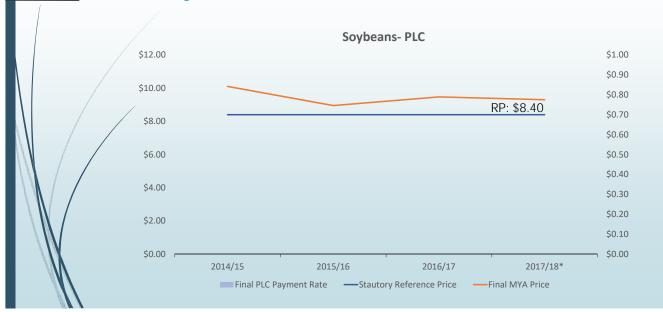
### Payments for PLC



### Payments for PLC



### Payments for PLC

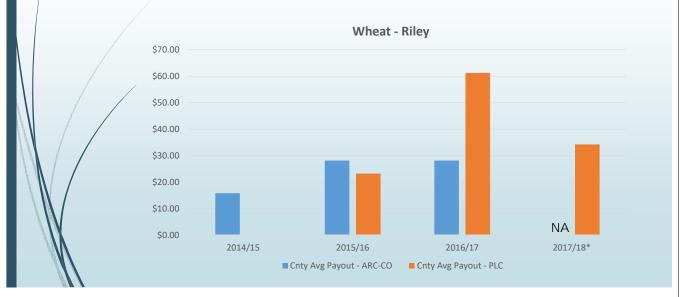




Riley County



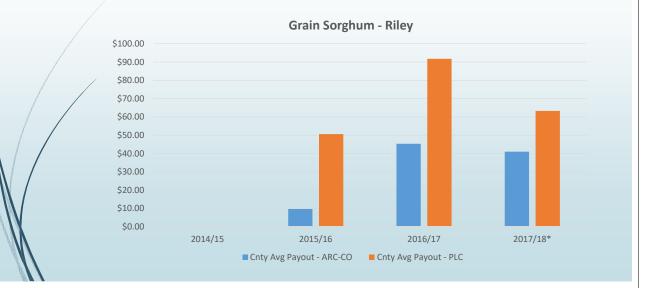
### PLC vs ARC-CO



### PLC vs ARC-CO



### PLC vs ARC-CO



PLC vs ARC-CO



## Implications

### Implications

- Picking the best program was and will continue to be a 'crap shoot'
  - Have to predict where prices will be relative to reference prices
  - Have to anticipate what yields will be at the county level
- Timing of payments
  - PLC payments were more timely relative to overall farm profitability

### Implications

- If history is our guide...
  - We will pick PLC
  - Exposed to a bad crop/high price outcome (1989, 2012)
  - Depend more heavily on crop insurance-HPO

### Questions?

