

Farm Bill Update

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The reality...

- The deadline for passing a new Farm Bill was Sept. 30th, 2023
- This is not new...
 - 2018 Farm Bill signed into law on Dec. 20th, 2018
 - 2014 Farm Bill signed into law on Feb. 7th, 2014
 - 2008 Farm Bill was previous to this (extended after expiration in 2012)
- The real “deadline” is Dec. 31st, where farm programs revert to permanent law (1938 & 1949)
 - “Dairy cliff” would create a milk price of \$50+ per cwt



The reality...

- Congress needs to pass a budget to keep the government operating by Nov. 17th
 - Issues with selecting a House Speaker
 - Conflict in Israel
 - Agreement on funding for Ukraine, Border crisis
- *If* 2018 Farm Bill is extended a year, then we get into trying to pass a new Farm Bill in an election year in 2024
 - May see a temporary extension until early next year
- Crop Insurance is permanently authorized, as is SNAP (food assistance)



Current issues

- Most talk is a status-quo Farm Bill
 - Desire to raise PLC reference prices
 - Base acre update
- Food vs farm
 - 2023-estimated 10-year baseline is now \$1.46 trillion
 - 2018 10-year baseline was \$867 billion



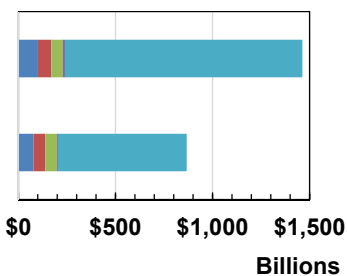
Farm Bill Budget

Baseline Comparison

Area	2018 Farm Bill (FY2019-2028)	2023 Baseline (FY2024-2033)
	(\$ billions)	(\$ billions)
Commodities	\$61.4	\$69
Crop Insurance	77.9	101
Conservation	59.8	60
Nutrition (SNAP)	663.8	1,223
Other Titles	4.3	10
Total	\$867.2	\$1,463

**May 2023
Baseline
FY2024-2033**

**2018 Farm Bill
at Enactment
FY2019-2028**



■ Crop Insurance ■ Commodities
■ Conservation ■ Other Programs
■ Nutrition

Source: Congressional Research Service and Congressional Budget Office, May 2023

Provided by Brad Lubbin, Policy Specialist, University of Nebraska-Lincoln



What is the Thrifty Food Plan?

- Represents a nutritious, practical, cost-effective diet prepared at home for a “reference” family, which is defined in law as an adult male and female, ages 20-50, and two children, ages 6-8 and 9-11
- USDA calculates the Thrifty Food Plan using a mathematical model, or equation, based on the cost of food, the nutrients in food, nutrition guidance and what Americans eat.
- Most recently updated in 2021: The 2018 Farm Bill directed USDA to re-evaluate the Thrifty Food Plan by 2022 and every five years thereafter. Prior to this requirement, the Thrifty Food Plan was introduced in 1975 and updated in 1983, 1999 and 2006.
- Used to determine SNAP benefit amounts, which vary by household size.

<https://www.fns.usda.gov/snap/thriftyfoodplan>

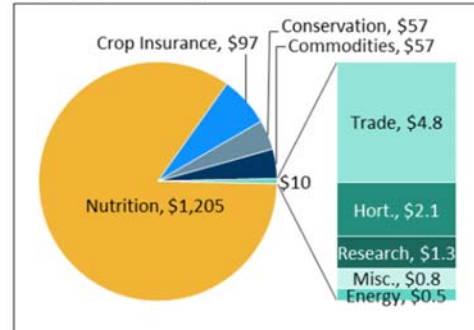


Preliminary Farm Bill “Baseline”

Congressional budgeting rules play an important role in the Farm Bill process

~84% is nutrition spending;
some years nutrition debate causes delays

10-year projected outlays, FY2024-FY2033, billions of dollars



Source: Created by CRS using Congressional Budget Office (CBO) February 2023 Baseline and amounts indicated in law for programs in other titles.

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The < 1%



TRADE



FSA CREDIT
PROGRAMS



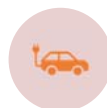
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RESEARCH AND
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FORESTRY



ENERGY

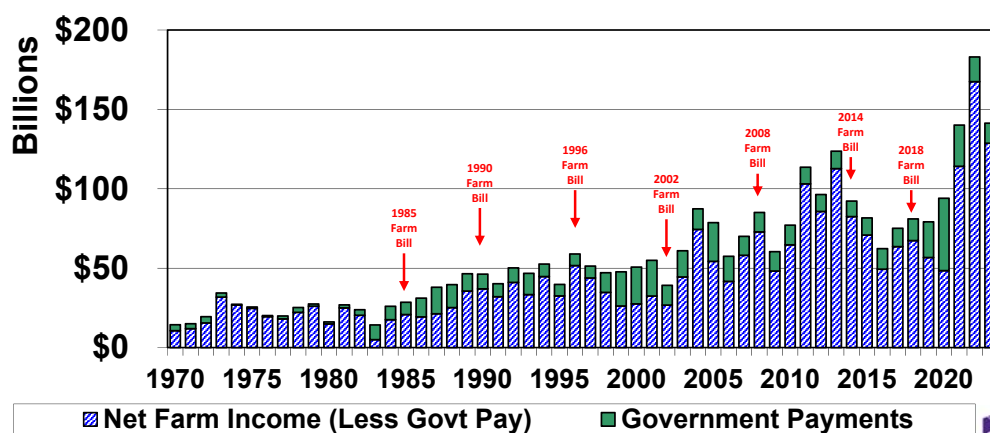


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The Economic Setting

U.S. Net Farm Income and Government Payments



Provided by Brad Lubbin, Policy Specialist, UNL, Source: USDA Economic Research Service, August 2023



Proposed Farm Bill Changes

Base Acre Update



What are base acres?

- Linked to historic production of a specific commodity on each farm
- Base acres required for eligibility for ARC (Agricultural Risk Coverage) or PLC (Price Loss Coverage) payments
- “Freedom to Farm” allocated to specific commodities in 1996 Farm Bill
 - 1996 “contract” acres based on 1981-1985 plantings
 - Voluntary acre updates in 2002 (add oilseeds) and 2014 (reallocation)
 - Voluntary yield updates in 2002 (if reallocating base), 2014, 2018



Why do we have base acres?

- Desire to **decouple** farm safety net payments from current planting decisions
 - General principle: planting decisions should be based on the market, not on policy
- Allows ARC and PLC to not “count” for WTO purposes

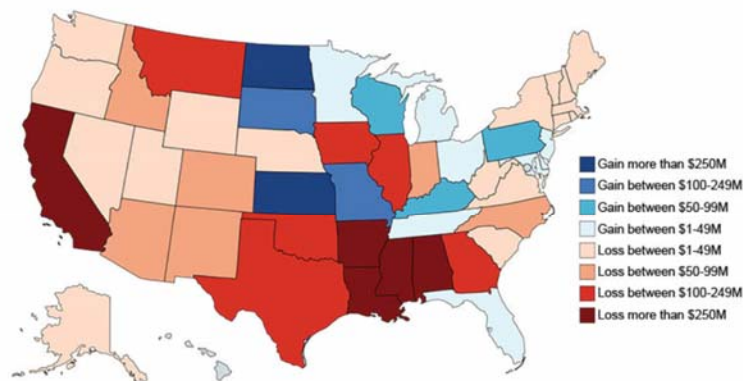


Why now?

- Push by producers who are “under-based”
- More effective risk protection
 - *Why didn't they reallocate in 2014?*
- CBO savings
 - Mandatory update would actually save money by having less “expensive” program crops



Projected loss or gain under mandatory base update
FY 2024 to 2033



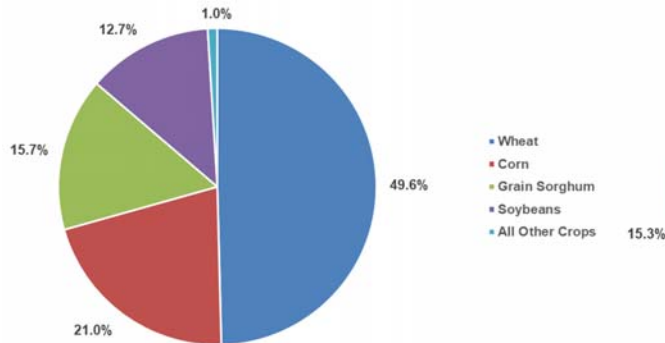
Source: Senate Ag GOP staff

<https://www.agri-pulse.com/articles/19774-farm-program-update-yields-big-losers-and-some-winners-analysis-shows>

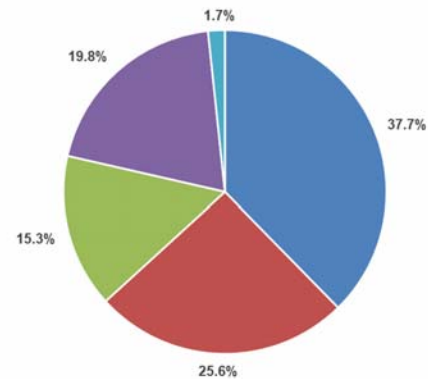


Comparing Base Acres to Planted Acres

Kansas 2023 Base Acres by Commodity



Kansas 2023 Planted Acres by Commodity



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Comparing Base Acres to Planted Acres

Crop	Total of Enrolled Base in 2023	2023 NASS Planted Acres	Difference
Wheat	10,276,150	8,100,000	2,176,150
Corn	4,356,948	5,500,000	(1,143,052)
Grain Sorghum	3,243,318	3,300,000	(56,682)
Soybeans	2,639,343	4,250,000	(1,610,657)
Sunflower Seed	74,652	38,000	36,652
Oats	65,821	135,000	(69,179)
Barley	45,754	15,000	30,754
Seed Cotton	6,625	170,000	(163,375)
Canola	5,901	3,000	2,901
Dry Peas	2,509	0	2,509
Safflower	522	0	522
Mustard Seed	19	0	19
Flaxseed	15	0	15
Sesame Seed	9	0	9
Total	20,717,587	21,511,000	(793,413)

If we added in Alfalfa Planted acres, that would be another 640,000 acres on average over the past 5 years.

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Will there be a base acre update?

- Likely will not be passed since John Boozman (Ranking Member-Senate Ag., AR) and David Scott (Ranking Member-House Ag. GA) have too much to lose
- However, would be good for Kansas as a whole, matching base acres to actual planted acres
 - However would we lose payments switching wheat base to corn/soybeans?
- What about acres that have not had program crops planted on them?



No Loss of Base Acres?

- 2018 Farm Bill Language: Farmers-ranchers who planted their entire farm to grass and pasture all years from 2009-2017 will have their base “unassigned”.
- Question: What is NOT grass and pasture?
 - All program crops.
 - Alfalfa
 - Farmers who planted base acres to wheat or oats and harvested it as hay or pasture are considered planted to a program crop.
 - CRP is considered planted and not grass/pasture
 - Farmers who planted triticale, brome, or similar forages for hay or grazing are in a “gray” area. What is the definition of “grass”? It will need to be interpreted by the Secretary.
 - Base acres converted to grass hay or native grass pasture are NOT considered planted to a crop.



No Loss of Base Acres?

- Farmers (ranchers) who have their base “unassigned” will continue have their acres considered “planted” to program crops during the life of this farm bill so it will maintain the base for future legislation.
- These base acres will be “unassigned” from receiving commodity payments, but eligible for the Conservation Stewardship Program (CSP) grasslands program payment at a rate of \$18/acre.
- They will need to sign up for this NRCS program (not automatic) and address at least one resource concern



Proposed Farm Bill Changes

Increase in Reference Prices



Brief Review of ARC-CO and PLC Design

- ARC-CO – Low **revenue** program
 - Triggers when revenue is below 86% of county benchmark: set by last 5 years (with 1 lag year) of national Marketing Year Average prices and county yields
 - Payments determined on county-by-county basis, subject to a 10% payment cap
- PLC – Low **price** program
 - Triggers when national Marketing Year Average price below the reference price for the crop
 - Payments determined by a national price, and paid on farm base acres and program yields
 - Subject to a much higher cap



ARC Guarantee Review

- Olympic Average of 5-Years of Marketing Average National Price (MYA)
 - Before taking the average, low years are replaced by the Effective Reference Price
 - 2018 Farm Bill added a “lag year”

Corn Example:

Year	2017/18	2018/19	2019/2020	2020/2021	2021/2022	2023/2024 Guarantee
MYA Price	\$3.36	\$3.61	\$3.56	\$4.53	\$6.00	
After Substitution	\$3.70	\$3.70	\$3.70	\$4.53	\$6.00	\$3.98



PLC Effective Reference Price

Commodity	2018 Farm Bill Statutory Price
Wheat	\$5.50
Corn	\$3.70
Sorghum	\$3.95
Soybeans	\$8.40

PLC Reference Price "Escalator"

85% of the 5-Year Olympic average of the MYA, not to exceed 115% of Statutory Price

Year	2017/18	2018/19	2019/2020	2020/2021	2021/2022	85% of Olympic Avg.
MYA Price	\$3.36	\$3.61	\$3.56	\$4.53	\$6.00	\$3.32



PLC Effective Reference Price

PLC Reference Price "Escalator"

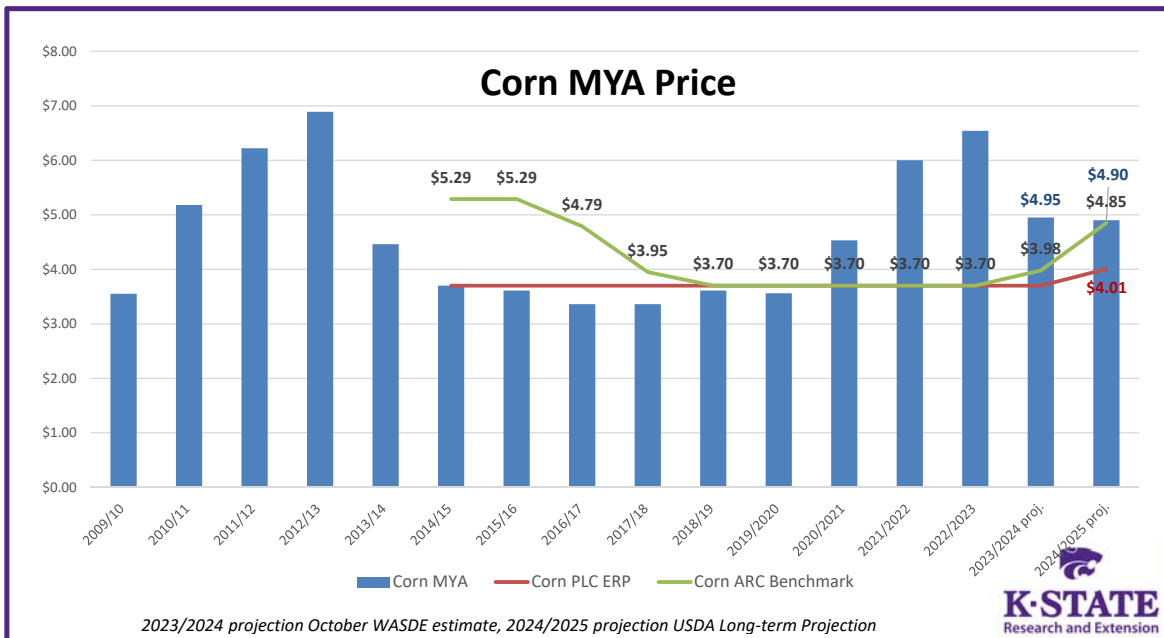
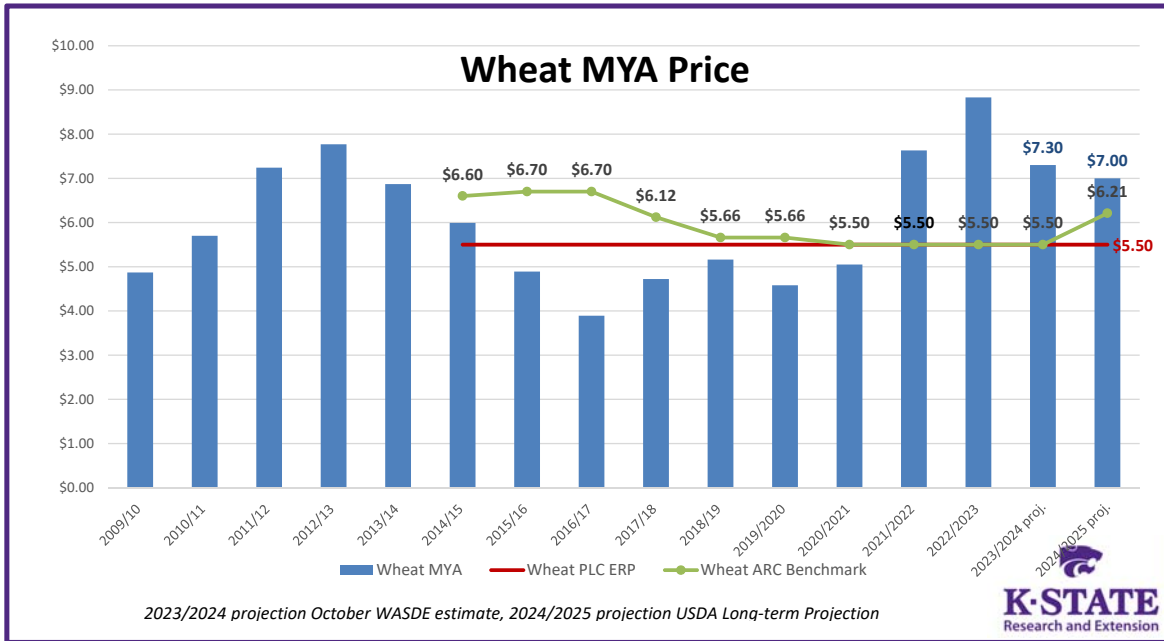
85% of the 5-Year Olympic average of the MYA, not to exceed 115% of Statutory Price

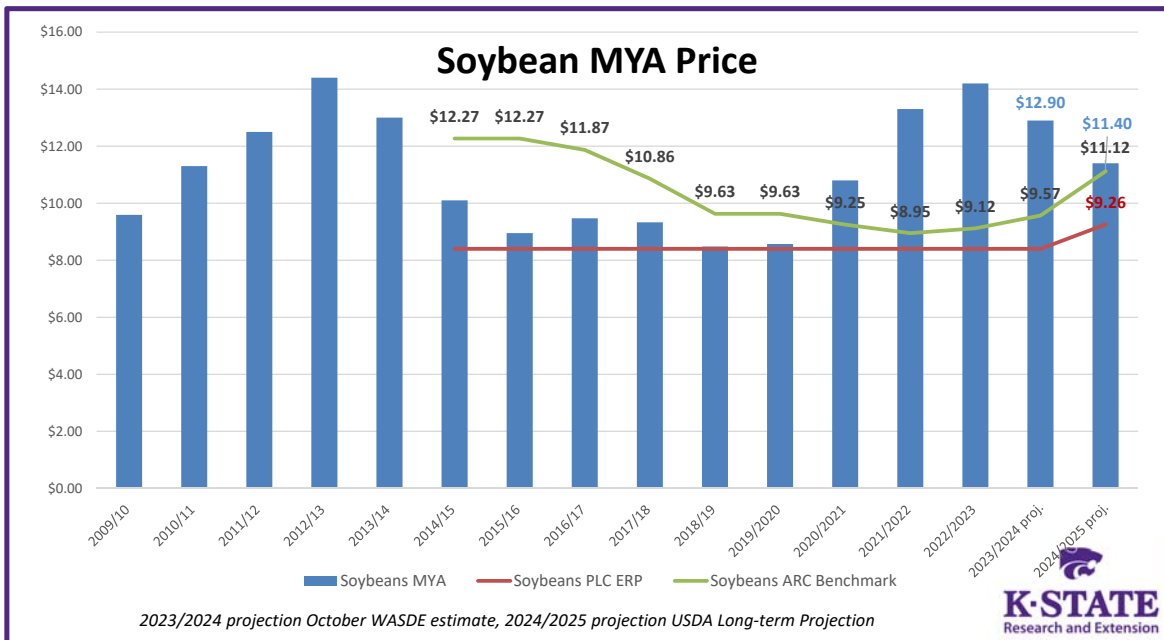
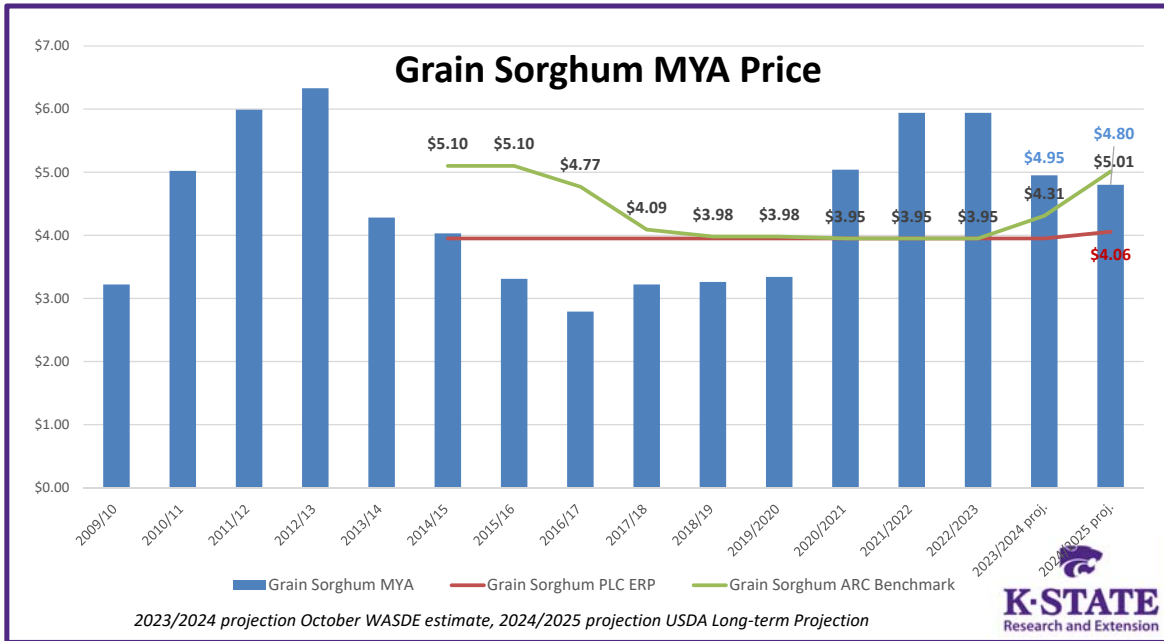
Year	2018/19	2019/2020	2020/2021	2021/2022	2022/2023	85% of Olympic Avg. 2024/2025 ERP
MYA Price	\$3.61	\$3.56	\$4.53	\$6.00	\$6.54	\$4.01

Effective Reference Prices for 2024/2025

Corn	Grain Sorghum	Wheat	Soybeans
\$4.01	\$4.06	\$5.50	\$9.26
vs. 10% increase in reference prices			
\$4.07	\$4.35	\$6.05	\$9.24







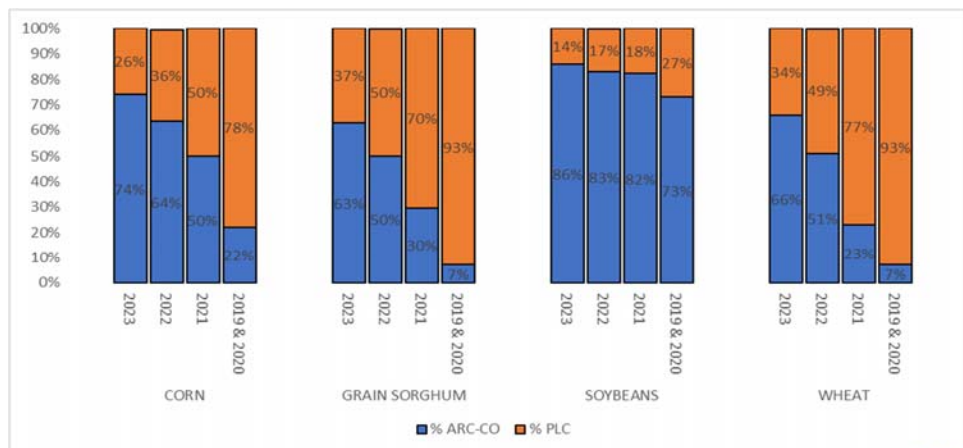
USDA Baseline Projections

MYA Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Corn	\$6.80	\$5.70	\$4.90	\$4.50	\$4.30	\$4.30	\$4.30	\$4.30	\$4.30	\$4.30	\$4.30
Grain Sorghum	\$6.65	\$5.60	\$4.80	\$4.40	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20
Soybeans	\$14.00	\$13.00	\$11.40	\$10.85	\$10.45	\$10.35	\$10.30	\$10.30	\$10.30	\$10.30	\$10.30
Wheat	\$9.20	\$8.00	\$7.00	\$6.00	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70	\$5.70

Released Feb. 2023



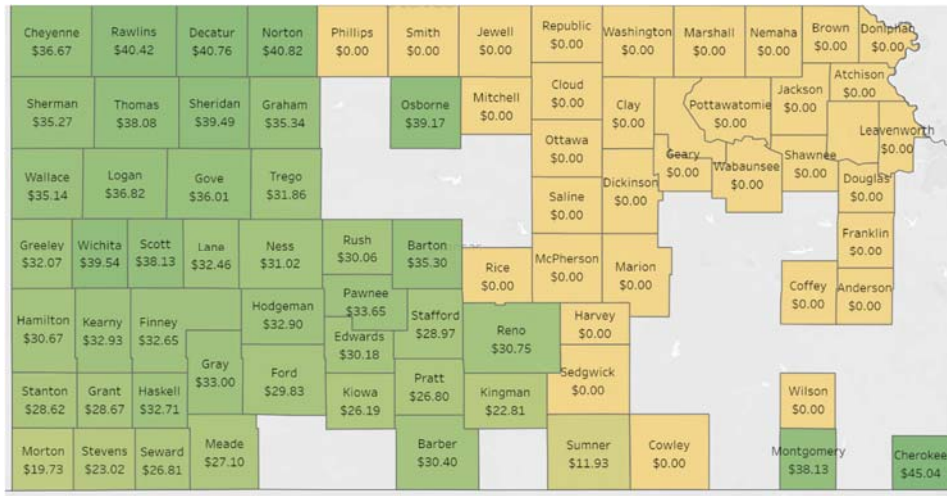
Program Elections in KS



https://www.agmanager.info/ag_policy/kansas-arcplc-enrollment-maps



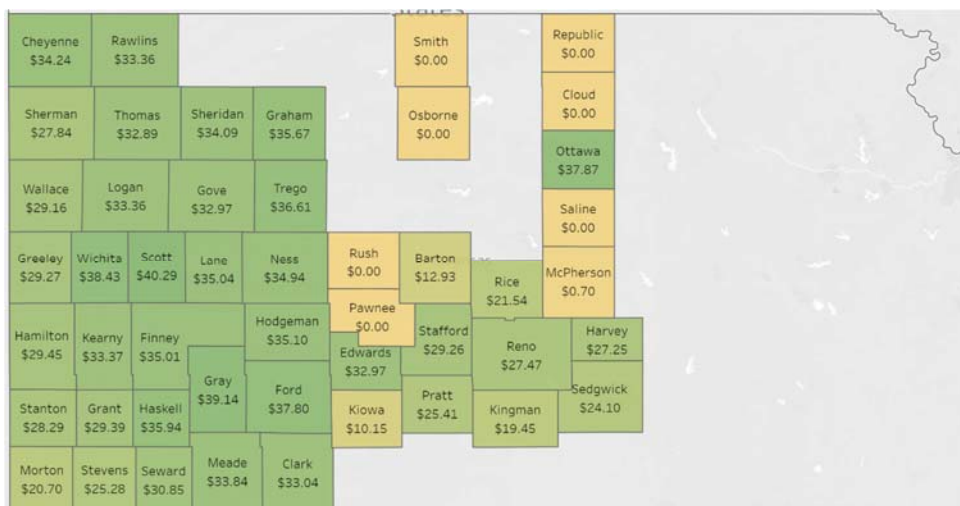
Kansas Received Big Payments in 2022/2023



Non-Irrigated
Corn



Kansas Received Big Payments in 2022/2023



Non-Irrigated
Grain
Sorghum



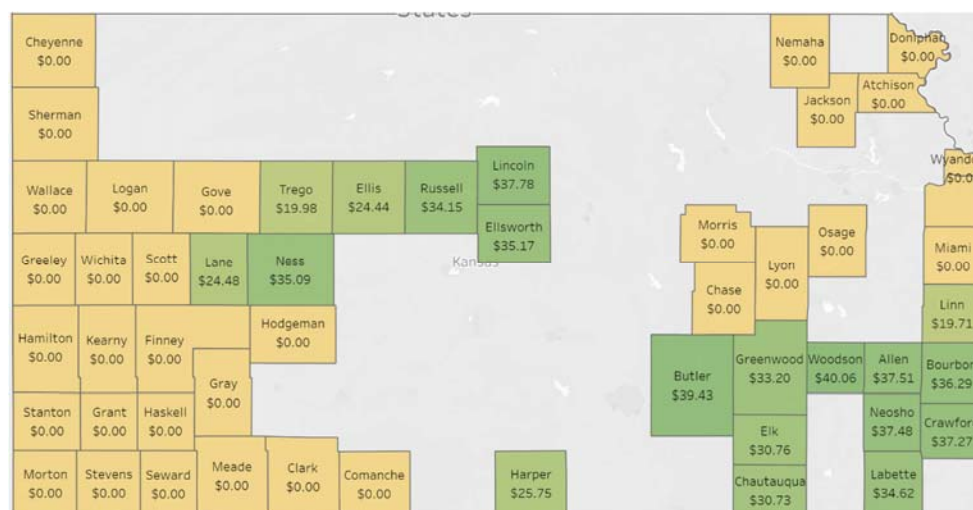
Kansas Received Big Payments in 2022/2023



Non-Irrigated
Soybeans



Kansas Received Big Payments in 2022/2023



"All"
Soybeans



Link to 2022/2023 ARC-County Payment Maps

<https://www.agmanager.info/ag-policy/arc-co-actual-payment-maps>



Chances of Payments in Oct. 2024?

PLC	Wheat	Corn	Grain Sorghum	Soybeans
2023/2024 MYA Estimate*	\$7.50	\$4.90	\$4.90	\$12.90
Effective Reference Price	\$5.50	\$3.70	\$3.95	\$8.40

ARC-CO	Wheat	Corn	Grain Sorghum	Soybeans
2023/2024 MYA Estimate*	\$7.50	\$4.90	\$4.90	\$12.90
2023 ARC Benchmark	\$5.50	\$3.98	\$4.31	\$9.57
% County Yield Loss to Trigger Payment	37%	30%	24%	36%

*October WASDE estimate

<https://www.agmanager.info/crop-insurance/risk-management-strategies/projections-and-sources-mya-prices-arc-and-plc-commodity>



Conclusions and Implications

- If ARC/PLC is continued as-is in the next Farm Bill (or an extension of the current Farm Bill), support prices will start to increase
 - ARC price guarantees will start increasing back to 2014 Farm Bill levels
 - PLC effective reference price will increase, but only modestly
 - Any significant increases in PLC price supports will have to come through new legislation
- Selecting ARC or PLC for 2024 may be a difficult decision
 - Making a similar decision as we did back in 2014, coming off of high prices
 - PLC=better price protection, ARC=more likely? (especially if yield concerns)
 - *Do you want to use SCO? – Cannot if you are enrolled in ARC*



Prognosis for the next farm bill

- 100% -- No new farm bill by Sept 30
- 15% New farm bill in 2023 or early 2024
- 85% - 1 or 2 extensions before a new farm bill
- 100% - Political drama
- Negative impacts or major changes for Kansas farms: I'm not worried yet



5%

Jenny Ifft 10/18/2023



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Basis Levels for Soybeans, Corn, Wheat, and Grain Sorghum

View Maps

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September 12, 2016 - Barnaby - RISK MANAGEMENT STRATEGIES

Cattle Feeding Returns
September 12, 2016 - Tanser - CATTLE FEEDING RETURNS

Weekly Grain Market Outlook - Dan O'Brien
September 5, 2016 - O'Brien - KSN RADIO INTERVIEWS

Interactive Crop Basis Tool
September 8, 2016 - Gault - KSN RADIO INTERVIEWS

Kansas Days Suitable for Fieldwork

Upcoming Events

Kansas State University/Washburn Law School Inaugural Agribusiness Symposium
September 28, 2016
Manhattan

Ag Lenders Conferences
October 4, 2016
Garden City

Ag Lenders Conferences
October 5, 2016
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