Farm Bill 2018

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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

Current Status of Farm Bill

- Didn't pass by September 30th
 - Looking to period after midterms and before end of the year
- Crop insurance not affected (permanently funded)
- CRP and CSP enrollments are suspended
 - EQIP on autopilot for FY 2019



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%	max of 115% of	not considered	Fixed vs. moving
	for 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/	Shift to RMA data first	Shift to data with greatest national	Most representative yield history and
		committee	Yield update for drought-	coverage first (RMA?)	calculation to protect
		Plug yield at 70%	affected counties	Plug yield from 70% to 75%	production?
			Plug yield 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	



Loss of Base Acres

House provision that would prevent payments to any farmer who did not plant program crops on base acres during the 2009 to 2017 crop years



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

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Working Lands	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	B over 2019-23	Reduces EQIP	
	share of 60% CSP up to 10 M	Eliminates EQIP livestock share	livestock share to 55%	
	ac/yr, projected outlays of \$1.6- 1.8 B/yr over 2019-23		Reduces CSP authority to 8.8 M ac/yr, projected outlays reduced by \$229 M over 2019-23	

Conservation Major Components

(
Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Easement Programs	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?
Regional Conservation Partnership Programs	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?
	Easement Programs Regional Conservation Partnership	Easement ProgramsBudget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23Regional Conservation Partnership ProgramsBudget \$100 M/yr, projected outlays of \$578	Easement ProgramsBudget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23Increases budget authority to s500 M/yr, increases projected outlays by \$979 M over 2019-23Regional Conservation Partnership ProgramsBudget authority of authority of budgetIncreases projected outlays by \$979 M over 2019-23Regional Conservation Partnership ProgramsBudget stood \$250 M/yr, outlays of \$578 M over 2019-23	Easement ProgramsBudget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23Increases budget authority to \$500 M/yr, increases projected outlays by \$629 M over 2019-23Increases projected outlays by \$629 M over 2019-23Regional Conservation Partnership ProgramsBudget authority of budgetIncreases projected outlays by \$979 M over 2019-23Increases

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	Impact on large operations/participation
			AGI cap withdrawn	Impact on remaining 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 eligibility	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	r 2019-23, \$5.0 le 9-28 Eli les, reduces catorial state outlays by r 2019-23, \$5.3 g-28 catorial state state sexpands Kennedy/Cruz rojected amendment Were crease by \$910 to tighten re	
ĺ	Work	Current work	Tightens rules, expands	2	Benefit delivery?
	Requirements and Education/Jo	requirements of 20 hours/week, but also existing	training, projected outlays increase by \$910 M over 2019-23,		Work requirements?
	b Training	waivers	decrease by \$1.5 B over 2019-28	requirements defeated	Education/job training assistance?

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

Announced U.S. Trade Aid for Agriculture

MFP payments

Commodity	Initial Payment Rate	Est. Initial Payment (in \$1,000's)					
Cotton	\$0.06/lb	\$276,900					
Corn	\$0.01/bu	\$96,000					
Dairy (milk)	\$0.12/cwt	\$127,400					
Pork (hogs)	\$8.00/hd	\$290,300					
Soybeans	\$1.65/bu	\$3,629,700					
Sorghum	\$0.86/bu	\$156,800					
Wheat	\$0.14/bu	\$119,200					
Total		\$4,696,300					

Announced U.S. Trade Aid for Agriculture

- MFP payments
 - ► Payments made on 50% of acres
- Trade model will be re-run on December
 1, 2018 to determine if second half of payments will be at the same rate
 - Model based on quantity exported and effect on price, not on price feedback effects for other commodities

PLC and ARC-CO Enrollments



Kansas Program Enrollment (% of total)

Сгор	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 (Wheat Show Histor Sum of % of co 2.7%															m land		
			Cheyenne 97.0%	Ra	mfirta 1.0%	Decatur 03.0%	Norton 94.2%	Philips 90.2%	8mith 95.1%	Jewell 85.7%	Republic 88.7%	Washingt 93.0%	an Mari 87.	hail Nem 81.6	arta Brox Brox Brox	Donis Donis 73.	
			Sherman 80.3%	Th	omas 9.5%	Sheridan 42.1%	Graham 75.2%	Rooks 01.9%	Osborne 87.7%	Mochall 92.1%	Cloud 93.3%	Ciay B0.9%	Pol	tawatomie 72.0%	Jackson 72.2%	Atchison 39.9%	1
			Wallace 70.3%	Logi 78.9	10	Gove 00.0%	Trego 83.1%	E8a 01.2%	Russel 73.4%	Lincoln 90.7%	Ottawn 91.2% Salme 92.7%	Dickmson 87.3%	00.1% Geory 63.5%	Wabaunsee 75.4%	Shawnee 63,3%		40.3% John 46.7
			Greeley 65.9%	Wichita 51,5%	Scott 35.9%	Lane 71.1%	Ness 78.7%	Rush 49.6%	Barton 66.6%	Elsworth 81.4%	U:Pharson	Marion	Morris 68.8%	Lyon 77.9%	Osage 74.7%	Franktin 76.2%	Mar 46.1
		-	Hamilton	Kearny	Fir 44	ney Th	Hodgeman 27.4%	Pasmee 79.8%	Stafford	64.4%	72.4% Hao	84.0%	Chao 70.81		Coffey 68.7%	Anderson 79.1%	Unr 48.01
V			35.7%	39.0%		Gray 41.5%	Ford	Edwards 87.8%	Pratt	Reno 63.0%	82.0 Sedgal	ck.	Butter 50.1%	Greenwood 35.3%	Woodson 66.2%	Allen \$3.9%	Bourbe 47.41
Ň			Stanton 50.7%	Orant 72.0%	Haskell 57.3%		53.2%	Kowa BB.8%	69.7%	Kingman 75.1%	68.11			Elk 29.9%	Wilson 79.0%	Neosho 75.7%	Crawfe 75.91
N/			Morton 39.6%	Stevens 57,4%	Seward 77.0%	Meade 38.0%	Clark 28.0%	Comanche 3.2%	Barber 85.1%	Harper 88.8%	Summ 93 53		Cowley 76.2%	Chautauqua 48.0%	Montgomery 76.5%	Labette 55.4%	Cherok 78.43

ARC-CO Enrollment - Corn

	Crop Name C Corn Show History Sum of % of commodity 27% 99.9%	ρ + - @ ▶													- allow		
			Cheyenne 92.3%	Ra 92	wirns 2.4%	Decatur 95.5%	Noton 97.7%	Philips 91.5%	Sexth 90.5%	Jeweit 87.0%	Republic 05.3%	Washingto 87.2%	an Man 95	hall Ner Ns. 95	naha Bro 2% 94.3	ATT Done 79	
			Sherman 97.4%	Th	omas 8.7%	Sheridan 00.4%	Oraham 61.9%	Rooks 83.0%	Osborna 84.7%	Mitchell 93.3%	Cloud 92.9%	Ciny 83.1%	Pot	tawatomie 90, 1%	Jackson 81.7%	Atchison 50.4%	
			Wallace 83.5%	Logi	80	Gove 81.0%	Trego 37.4%	Elin 15.4%	Russell 84.4%	Lincoln 90.4%	Ottawa 79.5%	Dickinson 77.3%	56.2% Geary	Wabaunsee 85.9%	Shawnee 88.8%		53.4%
			Grosley 71.2%	Wichita 78.1%	Scott 67 ps	Lane 51.0%	Ness 24.6%	Rush 29.2%	Barton 79.8%	Elevorth S8.8%	79.4%		Morris 88.5%	Lyon		Franklin 65.9%	
\mathbb{N}					Fr	-	Hodgeman	Passes 85.4%	Stafford	Rice 70.0%	40.1% Harv	Marion 74.1%	Chas 78.79			Anderson 77.6%	Linn 61,1%
			Hamilton 82.9%	Kearry 85.7%	62	Gray	70.1%	Edwards 99.0%	96.2%	Reno 70.4%	76.2	*	Butler 50.8%	Greenwood 65.2%	Woodson BD.1%	Atlen 58.6%	Bourbon 68.7%
NX .			Stankon 87.7%	Grant 92.9%	Hashad 05.8%	04.4%	67,1%	Klowa 93.4%	Pratt 91.8%	Kingman 75.8%	Sedget 64.19			EX 89.25	Wilson 85.7%	Neosho 83.8%	Charaford 91.6%
			Morton 87.1%	Stevens 87.0%	Second 92.8%		Ctark 67.3%		Barber 89.8%	Harper 90.9%	Summ 83.99		Cowley 72.1%	Cheutauqua 95.2%	Montgomery 92.2%	Labette 79.5%	Chetokee 90.3%

ARC-CO Enrollment – Grain Sorghum

	C Grain Sorghum • >	4 + -													~		
	Sum of % of commodity 2.7% 99.9%	•													Z		
/			Cheyenne 28.0%	R# 30	witts 17%	Decatur 75.0%	Norton 76.7%	Phillips 60.8%	Smith 78.8%	Jevel 83.3%	Republic 87.4%	Washington 85.1%	Marshi 67.33		aha Bros 75.1	B Doni 73	75
			Sherman 70.1%	Th	07588 1,0%	Sheridan 44.0%	Graham 30.0%	Rooks 67.2%	Osborne 74.6%	Michell 84.6%	Cloud 85.0%	Cay 84,1%	Riey. Si	watomie 5.2%	Jackson 70.1%		wenworth
(Watace 57,4%	Logi 45.4	40 75	Gove 50.0%	Trego 24.0%	Efm 19.7%	Russell 42.4%	Lincoln 75.7%	Ottawa 78.8% Saline	Dickinson 57.8%	46.0%	41.2%	Shawnee 50.0%	Douglas Sili Bhi	23.3% Johnson 16.2%
			Greeley 42,7%	Wichita 34.0%	Scott 16.1%	Lane 21.0%	Ness 8.6%	Rush 17.7%	Barton 54.2%	Elsworth 35.7%	57.3% McPherson		Morris 49,5%	Lyon 50.7%	Osage 50.1%	Franklin 50.4%	Miami 18.3%
					Fin	ney	Hodgeman	Pawnee 46.0%		Rice 40.7%	27.2%	Marion 37.6%	Chese 02.4%	50,7%	Coffey 59.0%	Anderson 57.9%	Linn 18.9%
			Hamilton 24.9%	Kearny 10.7%	29	Grav	30.0%	Edwards 32.0%	Stafford 67.6%	Reno 36.4%	Harv 16.7	5 B	utier	Greenwood 34.8%	Woodson 23.3%	Allen 31.0%	Bourbon 13.2%
			Stanton 20.8%	Grant 36.4%	35.2% Haskot 47.3%		Ford 22.0%	Kowa 63.8%	Pratt 54.4%	Kingman 51.9%	Sedgwi 33.4%		1.7%	ER 15.4%	Wilson 58.2%	Neosho 63.0%	Crawford 37.6%
			Morton 36.4%	Stevens 40.2%	Seward 55.9%	Meade 31.5%	Clark 17.9%	Comanche 10.7%	Barber 68.6%	Harper 65.3%	Summe \$3.9%		Cowley 51.8% Chaut 33.		Montgomery 33.9%	Labette 24.0%	Cherokee 31.0%

ARC-CO Enrollment – Soybeans



PLC Payouts

Payments for PLC



Payments for PLC



Payments for PLC



Payments for PLC



PLC vs ARC-CO



PLC vs ARC-CO



PLC vs ARC-CO



PLC vs ARC-CO



PLC vs ARC-CO



Total ARC-C	:0 Paym	ents (2	014-20	17) - Wh	eat, All												me, Yield Type at, All
											·····					SUM(To	tal Payment)
	Cheyenne \$66.47		wins 59.15	Decatur \$60.48	Norton \$53.83	Phillips \$49.85	Smith \$54.51	Jewell \$66.23	Republic \$52.51	Washington \$57.83	Mars \$67.	hall Nem 50 \$64			han 82	\$0.00	\$359
	Sherman \$82.97		homas 81.60	Sheridan \$65.17	Graham \$51.98	Rooks \$47.88	Osborne \$49.86	Mitchell \$84.68	Cloud \$73.66	Clay \$91.97	Pott	awatomie \$55.61	Jackson \$85.16	Atchison \$67.75	wenwoith		
	Wallace \$48.57	Log		Gove \$73.15	Trego \$45.18	Ellis \$45.86	Russell \$51.86	Lincoln \$78.29 Ellsworth \$64.74	Ottawa \$73.85 Saline \$86.65	Dickinson		Wabaunsee \$74.66	Shawnee \$71.67	Douglas	49.24 Johnson		
		200		979.19	\$40.10					\$92.99 T	Morris \$79.42	` <u> </u>	0sage \$77.76	\$76.00 Franklin	\$60.30 Miami		
	Greeley \$53.70	Wichita \$63.35	Scott \$23.76	Lane \$21.12	Ness \$40.53	Rush \$24.81	Barton \$23.76	Rice	Mcpherson \$93.32	Marion		Greenwood \$62.23	477770	\$92.97	\$79.06		
	Hamilton \$37.81	Kearny \$39.55			Hodgeman	Pawnee \$25.74	Stafford \$43.26	\$88.66 Reno \$53.26	Harv	\$76.91	\$/1.99		Coffey \$58.96 Woodson \$98.71	Anderson \$75.44	Linn \$83.82		
					\$21.78 Ford \$27.87	Edwards \$34.78 Klowa \$22.44			Sedgwi	66				Allen \$89.56	Bourbon \$72,76		
							Pratt \$61.93	Kingman \$51.20		ck \$73			Wilson \$89.22	Neosho \$70.74	Crawford		
	1			5	1	-		+****	_			Elk \$45.56			\$98.39		
	Morton \$29.92			Meade \$20.46	Clark \$17.16	Comanche \$20.99	Barber \$39.69	Harper \$40.55				Chautauqua \$27.47	Montgomery \$87.67	Labette \$81.80	Cherokee \$72.19		

http://www.agmanager.info/ag-policy/arc-co-historical-payment-maps

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?

