Farm Bill Programs
Update and Outlook

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2014 Farm Bill Review

- Eliminated Direct Payments, CCP Program
- Allowed program yield updates, base acre reallocation
- Choice of commodity program support:
  - Revenue program: ARC (county or individual coverage)
  - Price program: PLC (similar to CCP, higher reference prices)
- Use of MYA to calculate prices and specific language
  - Shift payments into later FY
  - 2014 payments received in 2015, 2015 payments in 2016
Locked through 2014
Farm Bill expiration in 2018; unless Congress Acts.

Vast majority of base acres are in corn and soybeans; revenue program.

Farmer elections represent the regional dispute over farm policy

Figure 1. Percent of Base Acres Enrolled in ARC and PLC.

Source: Farm Service Agency
ARC-CO vs PLC

- **ARC-CO:**
  - 5-year Olympic moving averages (MYA and county yields) to calculate benchmark;
  - Guarantee is 86% of benchmark

- **PLC:** fixed reference price
  - $3.70 for corn
  - $8.40 for soybeans
  - $5.50 for wheat

Change the county yields and Market Year Average (MYA) prices for 2015 and 2018 to see payments under ARC-County and PLC. Payments are stated per base acre, as such they are multiplied by .85. If there are 100 base acres per farm, multiple the result below by 100.

<table>
<thead>
<tr>
<th>Year</th>
<th>County Yield</th>
<th>MYA Price</th>
<th>Benchmark Yield</th>
<th>Benchmark Price</th>
<th>ARC Yield</th>
<th>ARC Price</th>
<th>Guarantee Payment</th>
<th>PLC Payment</th>
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<tbody>
<tr>
<td>2009</td>
<td>190</td>
<td>3.55</td>
<td>167</td>
<td>5.29</td>
<td>760</td>
<td>61.36</td>
<td>10</td>
<td>0</td>
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<tr>
<td>2010</td>
<td>169</td>
<td>5.18</td>
<td>167</td>
<td>5.29</td>
<td>760</td>
<td>61.36</td>
<td>10</td>
<td>0</td>
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<tr>
<td>2011</td>
<td>164</td>
<td>6.22</td>
<td>174</td>
<td>4.79</td>
<td>717</td>
<td>70.85</td>
<td>41</td>
<td>17</td>
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<td>2012</td>
<td>123</td>
<td>6.89</td>
<td>180</td>
<td>3.95</td>
<td>611</td>
<td>0.00</td>
<td>17</td>
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<tr>
<td>2013</td>
<td>168</td>
<td>4.46</td>
<td>186</td>
<td>3.70</td>
<td>592</td>
<td>0.00</td>
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<tr>
<td>2014</td>
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<td>3.70</td>
<td>183</td>
<td>3.35</td>
<td>174</td>
<td>4.79</td>
<td>41</td>
<td>17</td>
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<tr>
<td>2015</td>
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<td>3.61</td>
<td>185</td>
<td>3.55</td>
<td>180</td>
<td>3.95</td>
<td>17</td>
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<tr>
<td>2016</td>
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<td>3.75</td>
<td>187</td>
<td>3.75</td>
<td>186</td>
<td>3.70</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Five-Year Average: 26.44

National loan rate equals: 1.95
Reference price equals: 3.70

2015 ARC and PLC payments

- 2015 ARC-CO and PLC payments are estimated on a per base acre basis. Payments are adjusted to account for the fact that payments are made on 85% of base acres.
- 2015 payments are adjusted for a 6.8% sequester. The 2015 payment is multiplied by .932 (1 - .068).
Corn: 2014 ARC-CO Payments

Figure 2. 2014 ARC-CO County Payments for Corn Per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
Soybeans: 2014 ARC-CO Payments

Figure 3. 2014 ARC-CO County Payments for Soybeans Per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
Wheat: 2014 ARC-CO Payments

Figure 4. 2014 ARC-CO County Payments for Wheat Per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
Corn: 2015 ARC-CO Payments

Figure 1. 2015 ARC-CO County Payments for Corn, $ per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
2015 ARC-CO Payments in Illinois: Corn

- $5.29 ARC benchmark, $3.61 actual price
- High corn yields
- Large, price-driven payments in most counties
  - Piatt, Pope exceptions
- Small PLC payments
Soybeans: 2015 ARC-CO Payments

Figure 2. 2015 ARC-CO County Payments for Soybeans, $ Per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
2015 ARC-CO Payments in Illinois: Soybeans

- $12.27 ARC benchmark, $8.95 actual price
- High soybean yields
- Larger payments in northern and west central region
- No payment in many east central and southern counties
Wheat: 2015 ARC-CO Payments

Figure 3. 2015 ARC-CO County Payments for Wheat, $ Per Base Acre

For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.
2015 ARC-CO Payments in Illinois: Wheat

- $6.70 ARC benchmark, $4.89 actual price
- High yields
- Large payments throughout state, but also counties with no payment
- Sizeable PLC payments
Corn: 2016 Payment Projections

- Final prices and yields still not determined
- Payments expected in some northern and southern IL counties

Figure 1. Estimates of 2016 ARC-CO Payments for Corn, MYA = $3.30

Payments estimates are made with a 2016 county yield equal to 2014 yield plus 2 bushels and a 2016 market year average price equal to $3.30.

Preliminary estimates made in November 2016. Actual payments will vary from above.
Soybeans: 2016 Payment Projections

- Final prices and yields still not determined
- Small to moderate payments expected in a few counties

Figure 3. Estimates of 2016 ARC-CO Payments for Soybeans

Payments estimates are made with a 2016 county yield equal to the 2015 yield plus 5 bushels and a 2016 market year average price equal to $9.20.

Preliminary estimates made in November 2016. Actual payments will vary from above.
Wheat: 2016 Payment Projections

- Final prices and yields still not determined
- Moderate payments expected for most counties
- MYA price expected to be very low – also large PLC payments expected

Figure 4. Estimates of 2016 ARC-CO Payments for Wheat

Payments estimates with a 2016 county yield equal to the 2015 yield plus 9 bushels and a 2016 market year average price equal to $3.70.

Preliminary estimates made in November 2016, Actual Payments will vary from above.
 ARC-CO Experience and Outlook Summary

• Payments for corn, soybeans, and wheat in 2014 and 2015 driven by low price levels relative to benchmark

• Generally high yields, varies across counties

• Continued low prices for 2016/17 and beyond:
  – Price and revenue benchmarks adjusting down
  – Decreases likelihood and potential size of payments for future years
Issues with ARC-CO Payments

- Large variation in county-level payments
  - $0 to $80 per acre for corn in IL
  - Variation between neighboring counties
    - Piatt ($0) vs Champaign ($61)
    - Pope ($0) vs Johnson ($52)

- Timing of payments

- Process transparency
Low Prices & Farm Program Debate

- Large harvests = lower prices since 2014 Farm Bill
- Sustained lower prices expected to impact farm program debate
- Difference between fixed price and 5 year Olympic moving average

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Farm Policy Dispute: PLC

- 2014 Farm Bill eliminated direct payments
- Opened regional dispute over farm programs
- Price-based (South) vs. Revenue-based (Midwest)

Corn Example: Price Policy

2013 2014 2015 2016 2017 2018

Deficiency Payment  Market Price  Reference Price

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Farm Policy Dispute: ARC & Revenue

Corn Example - Revenue Policy

Co. Yield  Benchmark Yld  MYA Prices  Ref. Price  Benchmark MYA

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REVENUE POLICY IMPACT ON BASELINE

Corn Example

Note: forecasted yields are estimated trend; prices CBO 2016 baseline

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2018 Farm Bill: Spending & Priorities

- With budget pressure: partisan and difficult; competition for resources

- A question of priorities within the farm policy budget baseline.

CBO March 2016 Baseline (Billions)

Baseline for Next Farm Bill?

- CCC Commodities
- Crop Insurance
- Conservation
COMMODITY TITLE SPENDING BY COMMODITY

CBO Outlays (Millions)


Corn Soybeans Wheat Cotton* Rice Peanuts Dairy Disaster

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