

# Farm Bill Programs Update and Outlook

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# 2014 Farm Bill Review

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- **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

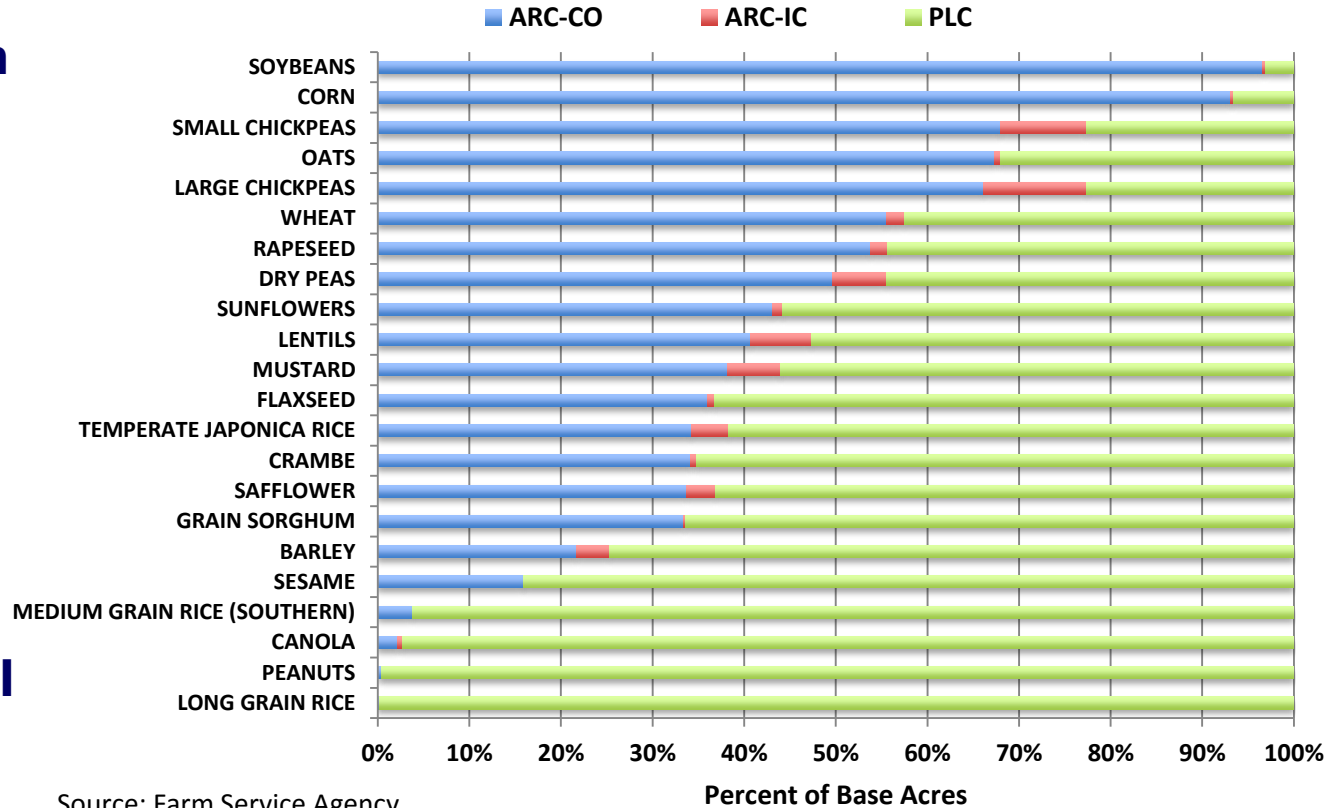
# 2014 FARM PROGRAM ELECTION

**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

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# 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

ARC-CO PLC Payment Estimator


**Input**

State	Illinois
County	Champaign
Crop	Corn
Type	All
PLC Payment Yield	137

Use Defaults

Help

Print



**What-If**

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.

Year	Input		Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
	County	MYA	Benchmark		ARC	ARC	Payment <sup>6</sup>
	Yield	Price <sup>1</sup>	Yield <sup>2</sup>	Price <sup>3</sup>	Guarantee <sup>4</sup>	Payment <sup>5</sup>	
2009	190	3.55					
2010	169	5.18					
2011	164	6.22					
2012	123	6.89					
2013	168	4.46					
2014	216	3.70	167	5.29	760	0.00	0
2015	189	3.61	167	5.29	760	61.36	10
2016	183	3.35	174	4.79	717	70.85	41
2017	185	3.55	180	3.95	611	0.00	17
2018	187	3.75	186	3.70	592	0.00	0
			<b>Five-Year Average</b>		<b>26.44</b>		<b>14</b>

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).

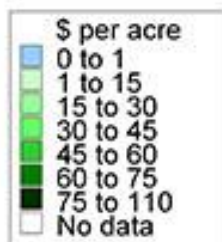
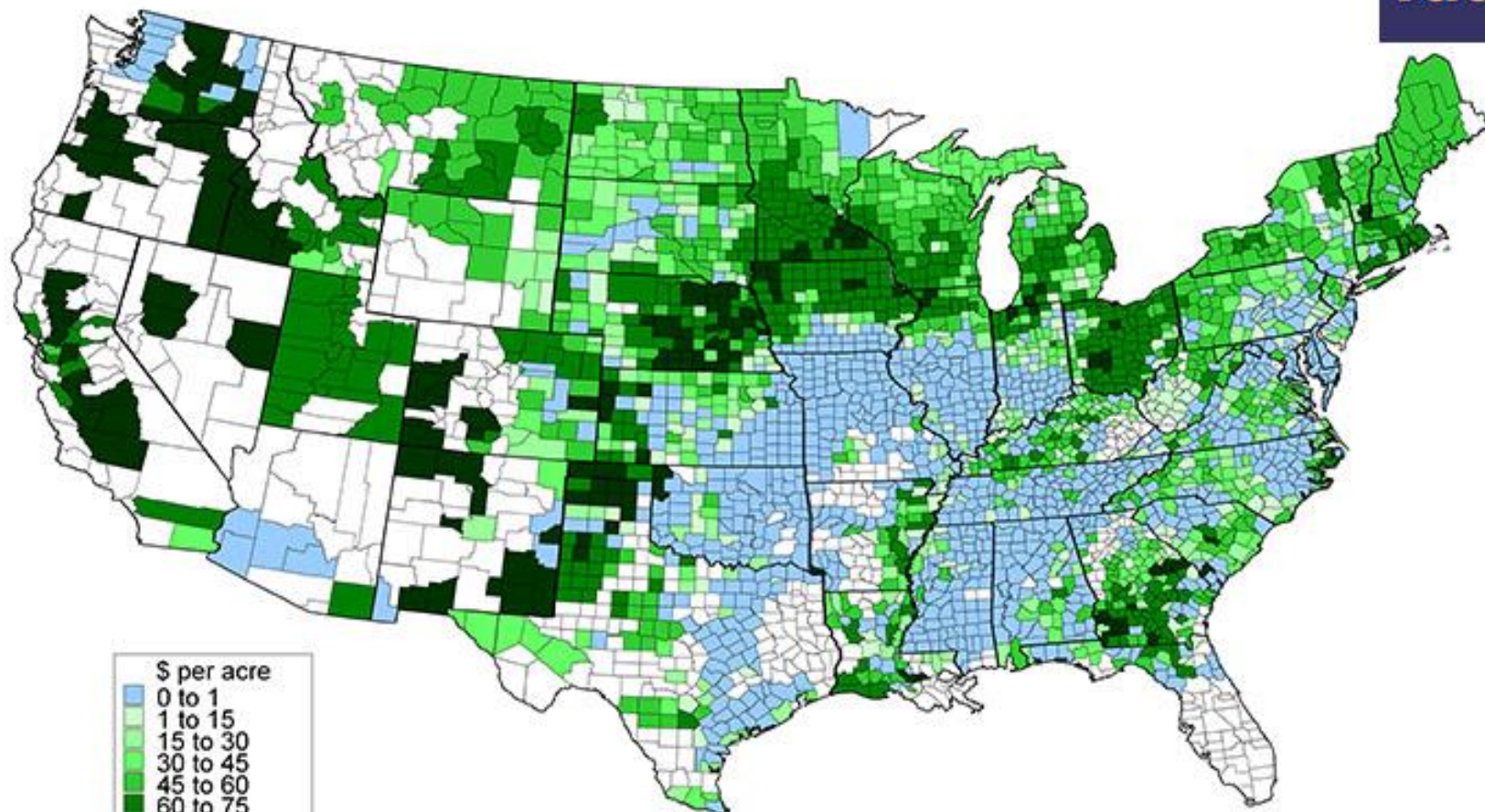


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# Corn: 2014 ARC-CO Payments

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

fdd



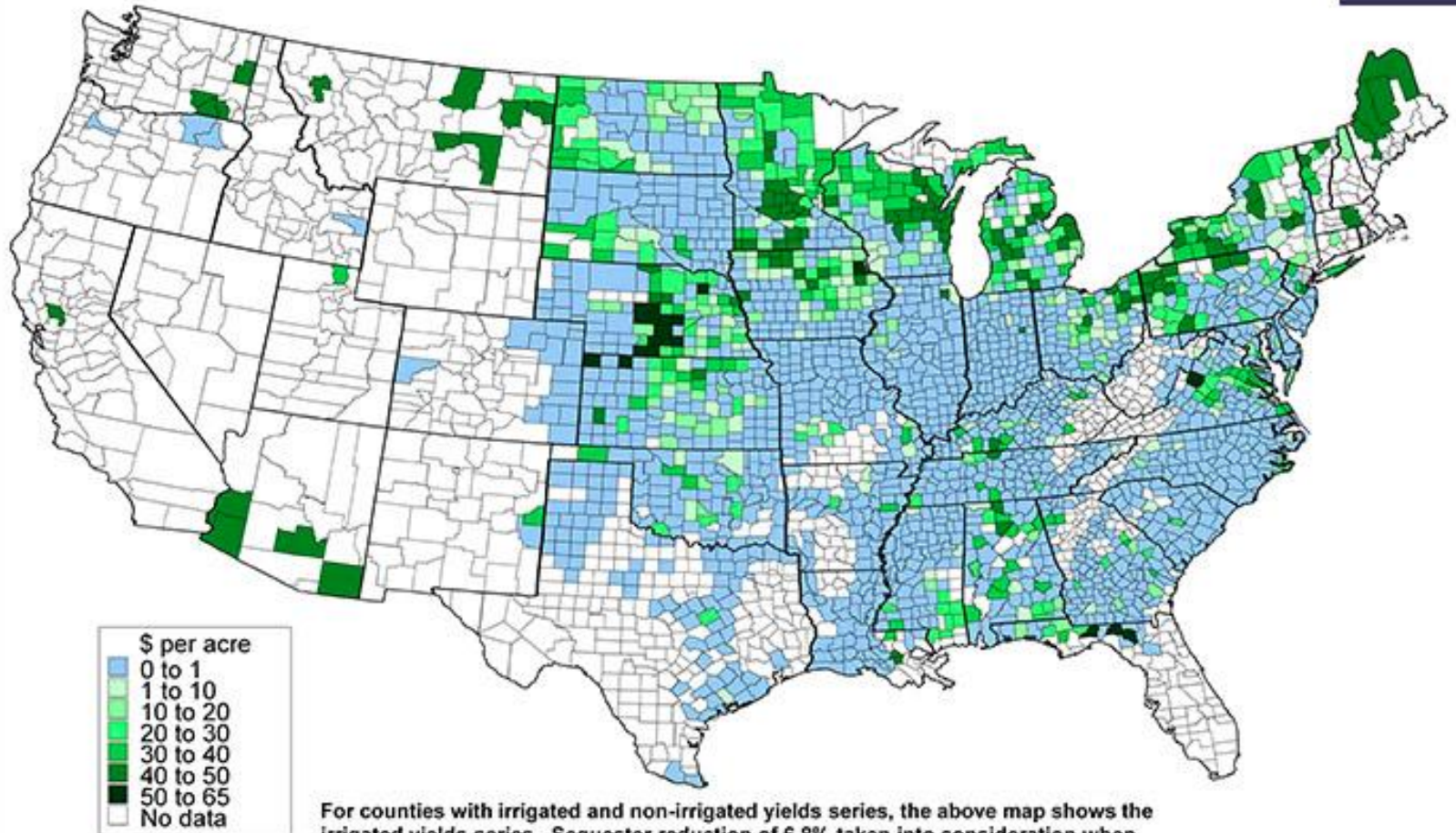
For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.

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# Soybeans: 2014 ARC-CO Payments

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

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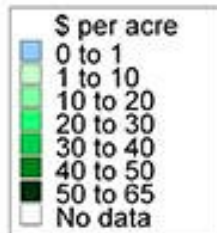
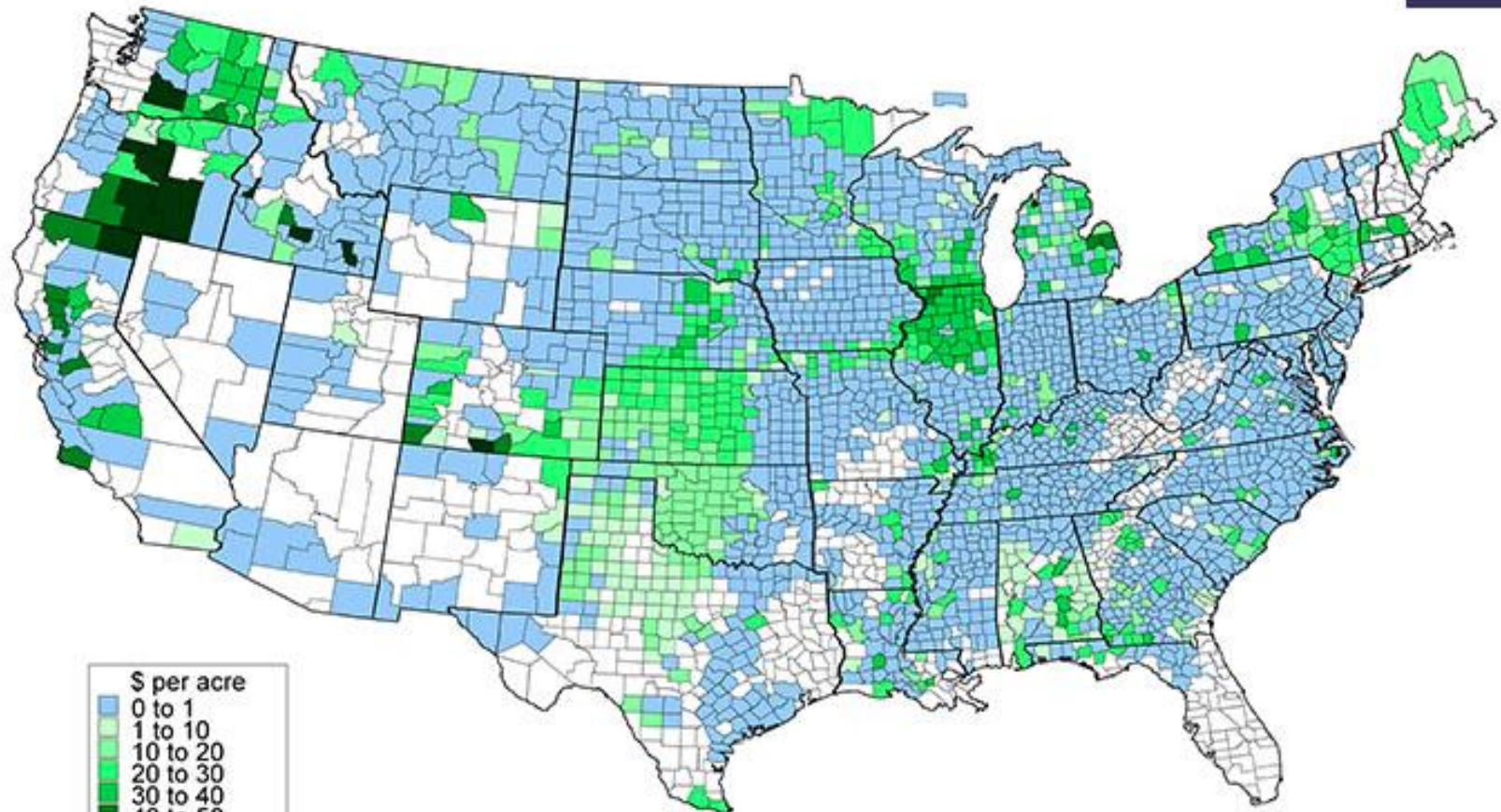
For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.

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# Wheat: 2014 ARC-CO Payments

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

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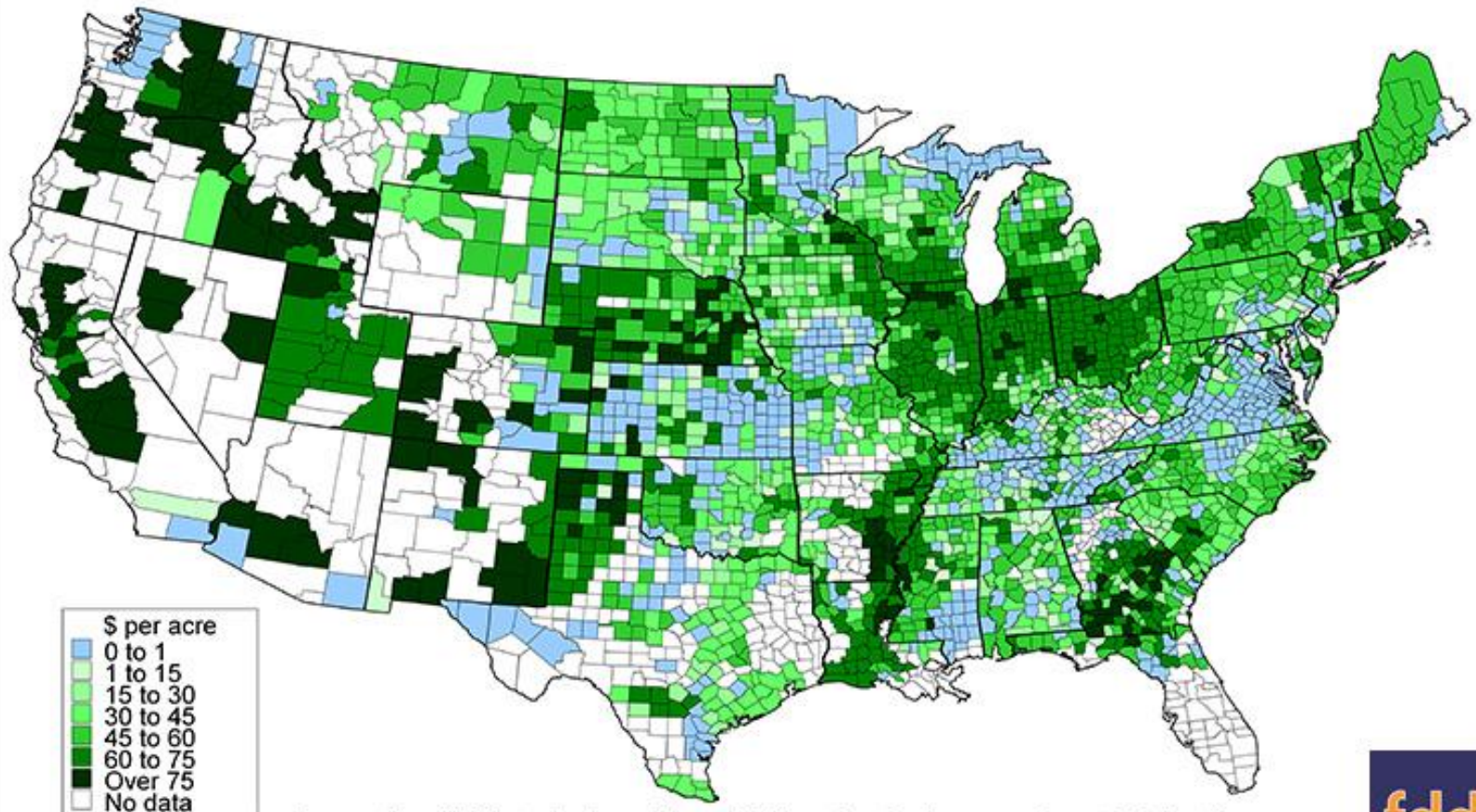


For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.

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# Corn: 2015 ARC-CO Payments

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

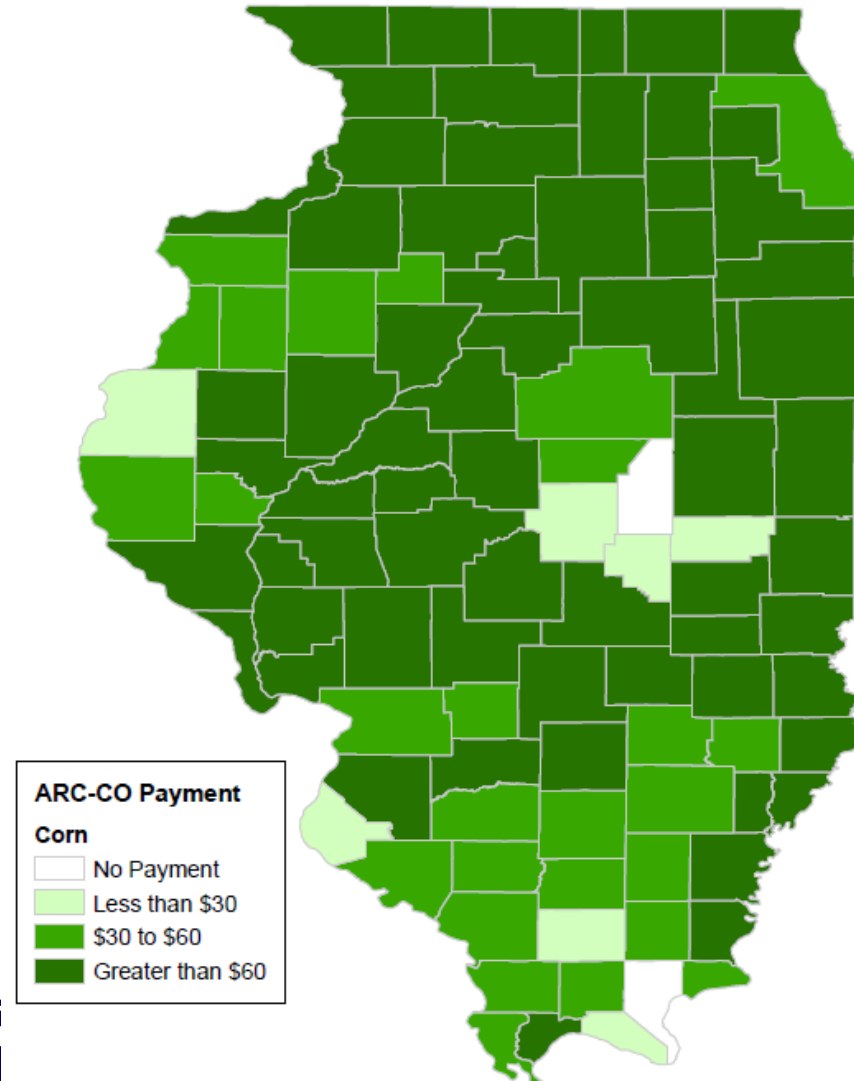


For counties with irrigated and non-irrigated yields series, the above map shows the irrigated yields series. Sequester reduction of 6.8% taken into consideration when calculating payments.



# 2015 ARC-CO Payments in Illinois: Corn

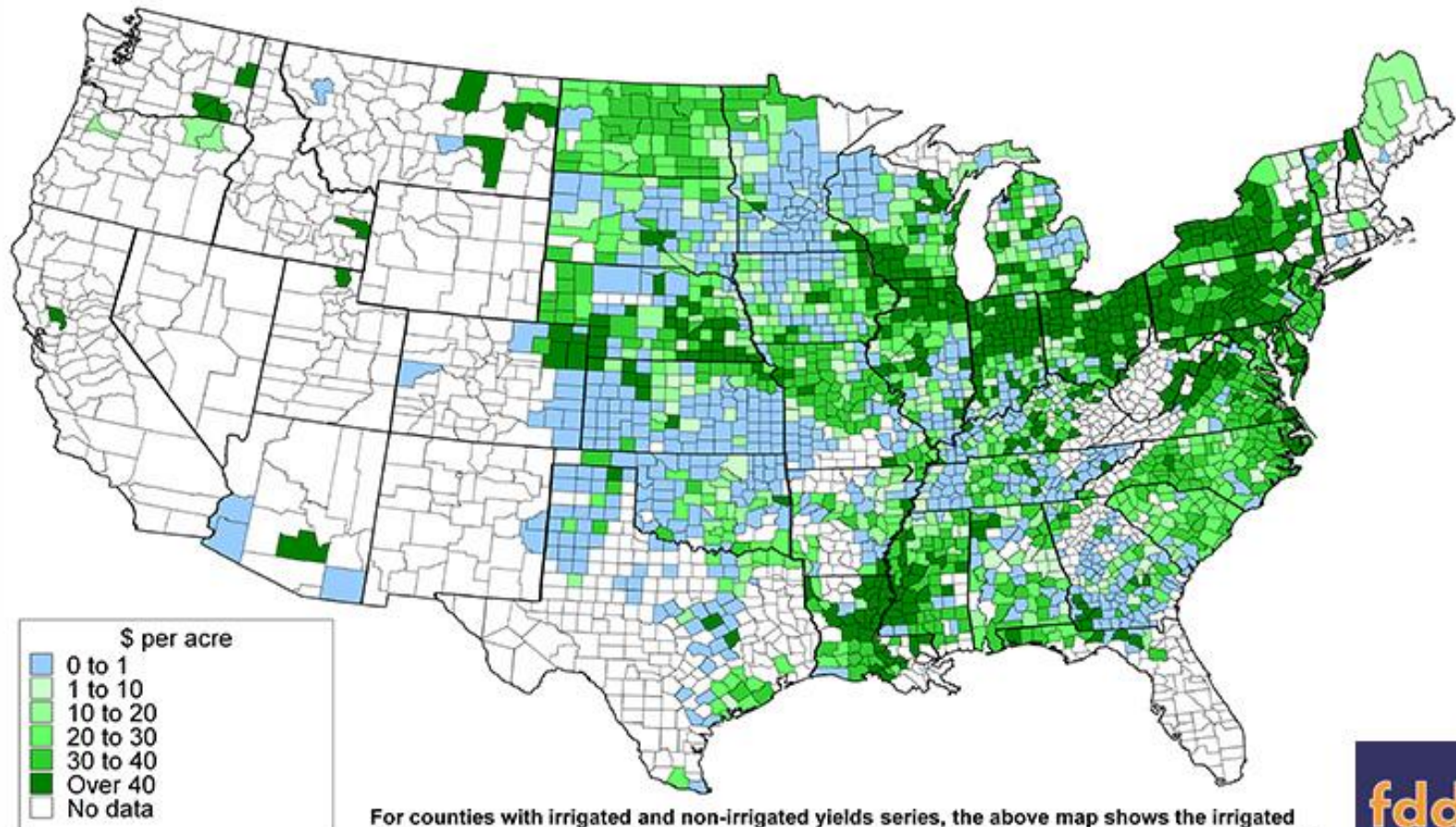
- **\$5.29 ARC benchmark, \$3.61 actual price**
- **High corn yields**
- **Large, price-driven payments in most counties**
  - Piatt, Pope exceptions
- **Small PLC payments**



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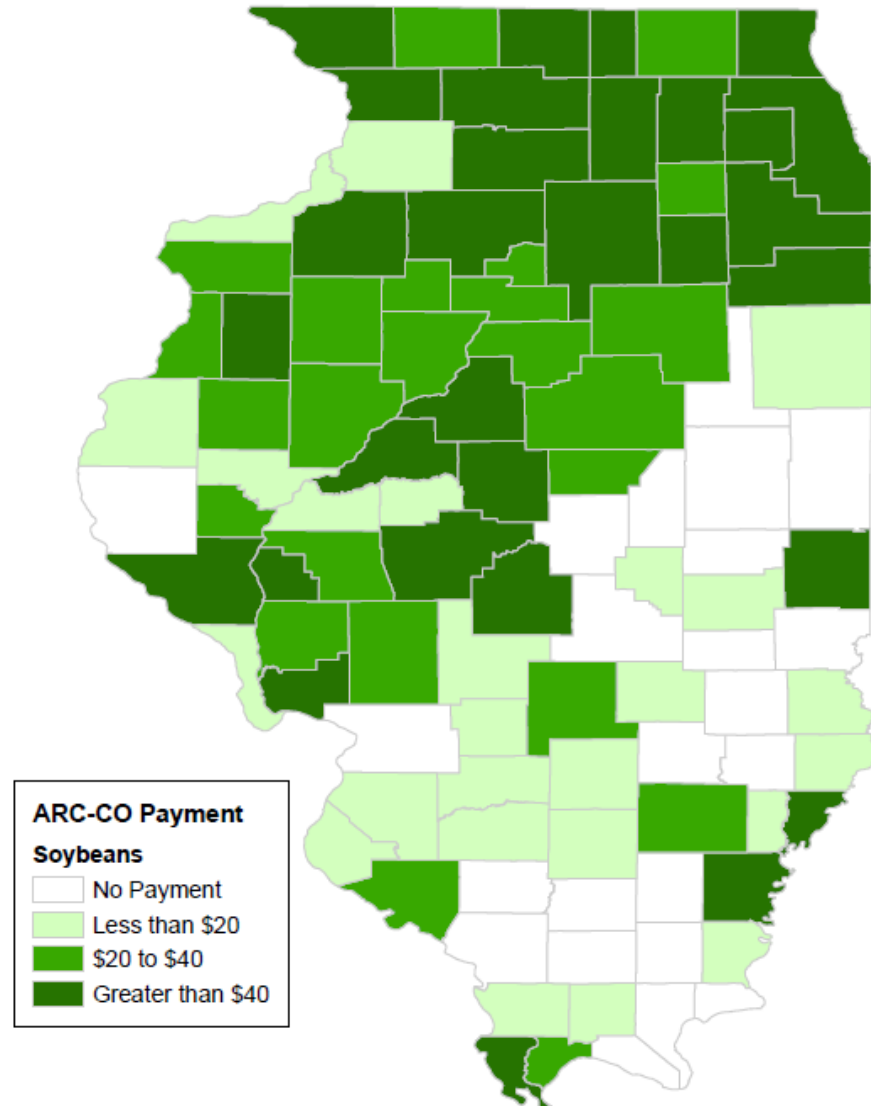
# Soybeans: 2015 ARC-CO Payments

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



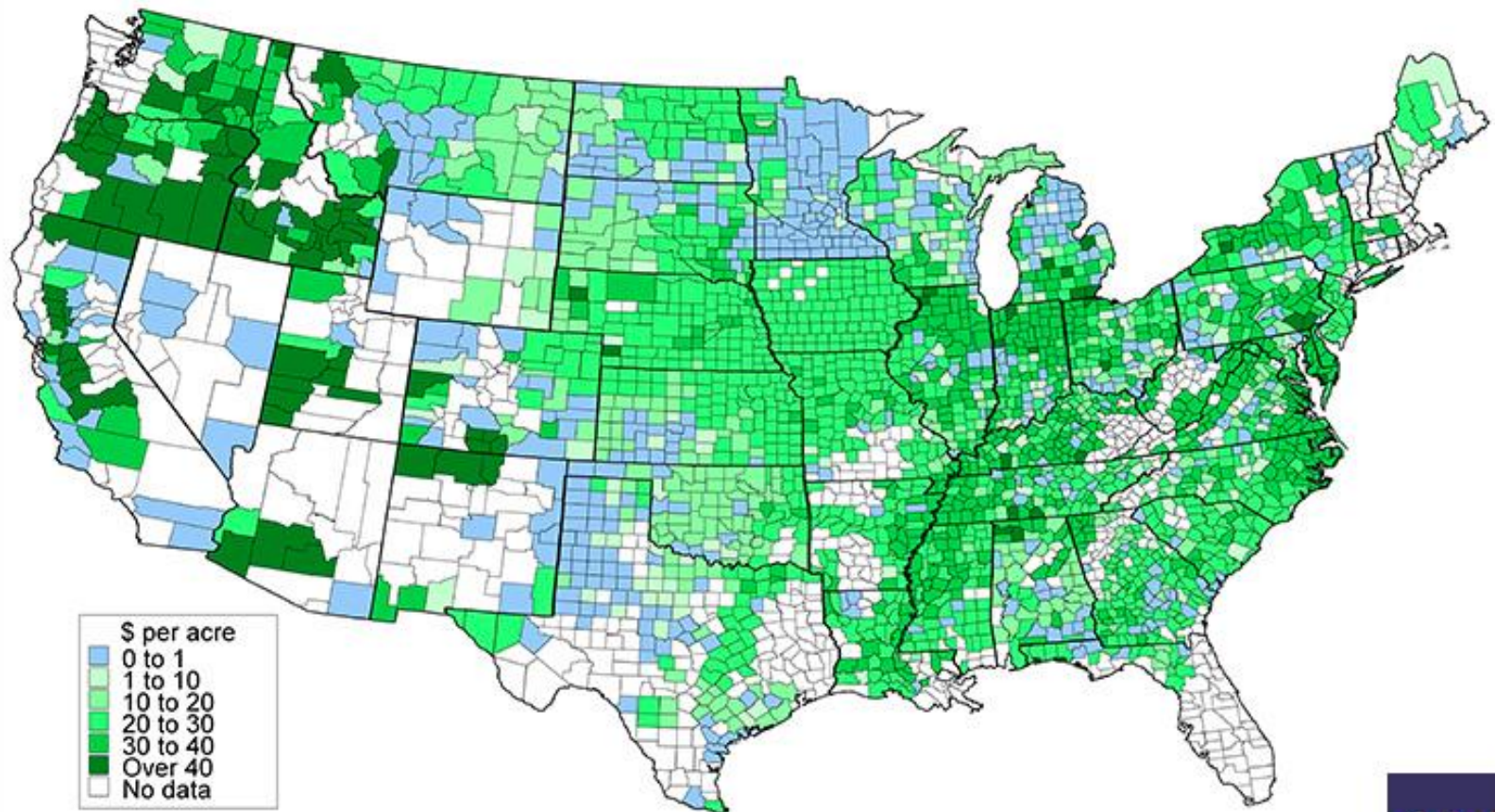
# 2015 ARC-CO Payments in Illinois: Soybeans

- **\$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

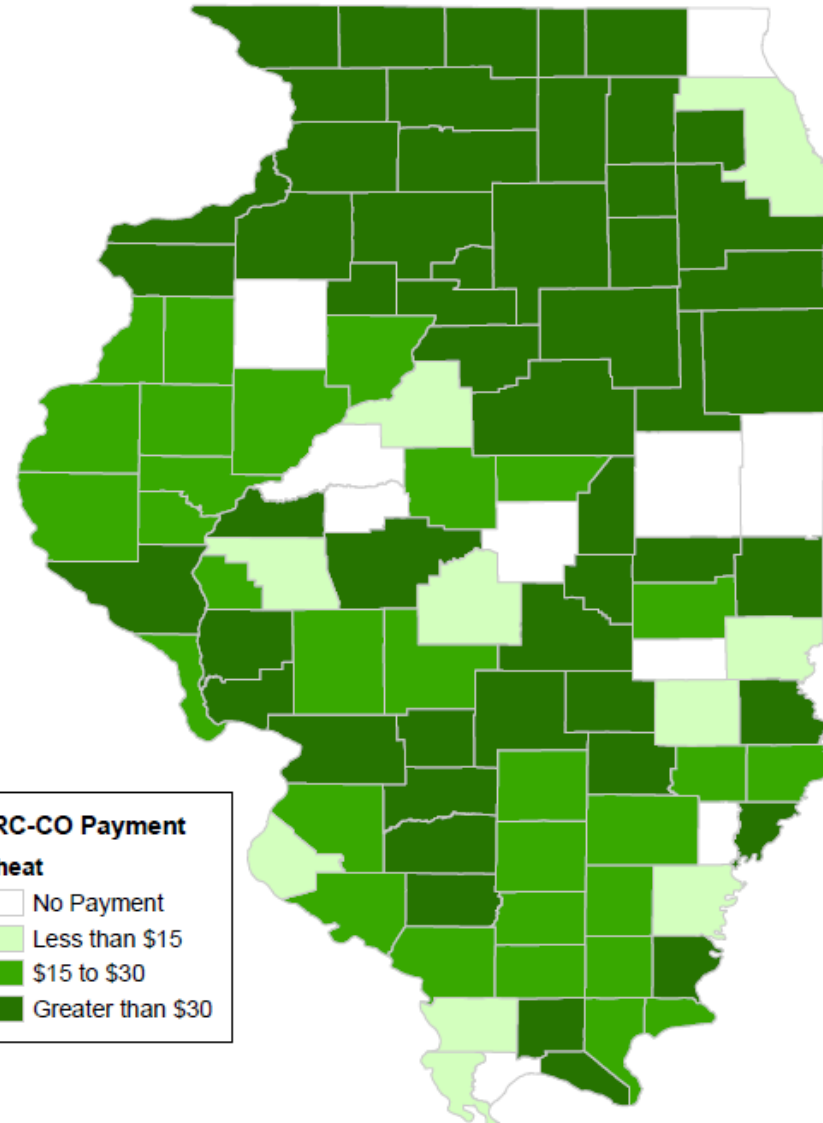
Figure 3. 2015 ARC-CO County Payments for Wheat, \$ Per Base Acre



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**

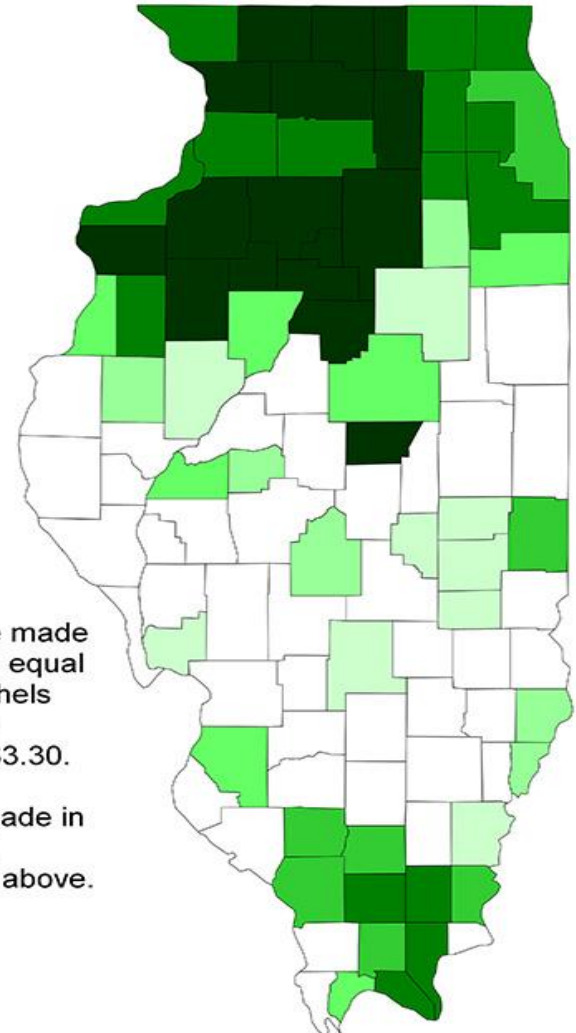


# Corn: 2016 Payment Projections

- 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

\$ per base acre



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.

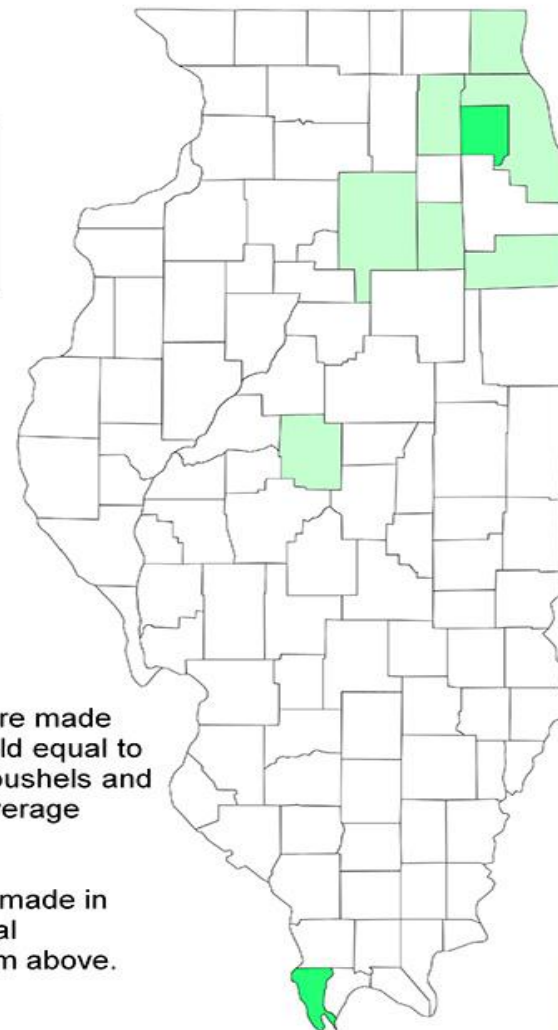
Preliminary estimates made in November 2016. Actual payments will vary from above.

# 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

\$ per base acre



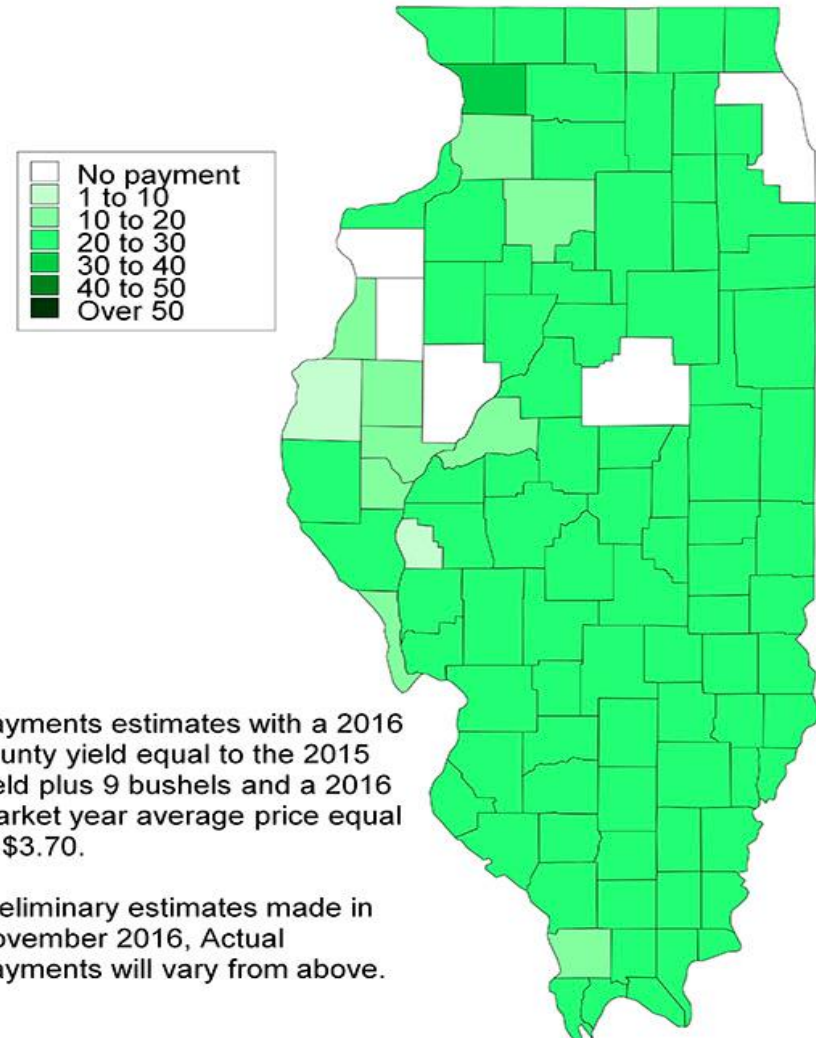
Payments estimates are made with a 2016 county yield equal to the 2015 yield plus 5 bushels and a 2016 market year average price equal to \$9.20.

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





# ARC-CO Experience and Outlook Summary

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- **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**

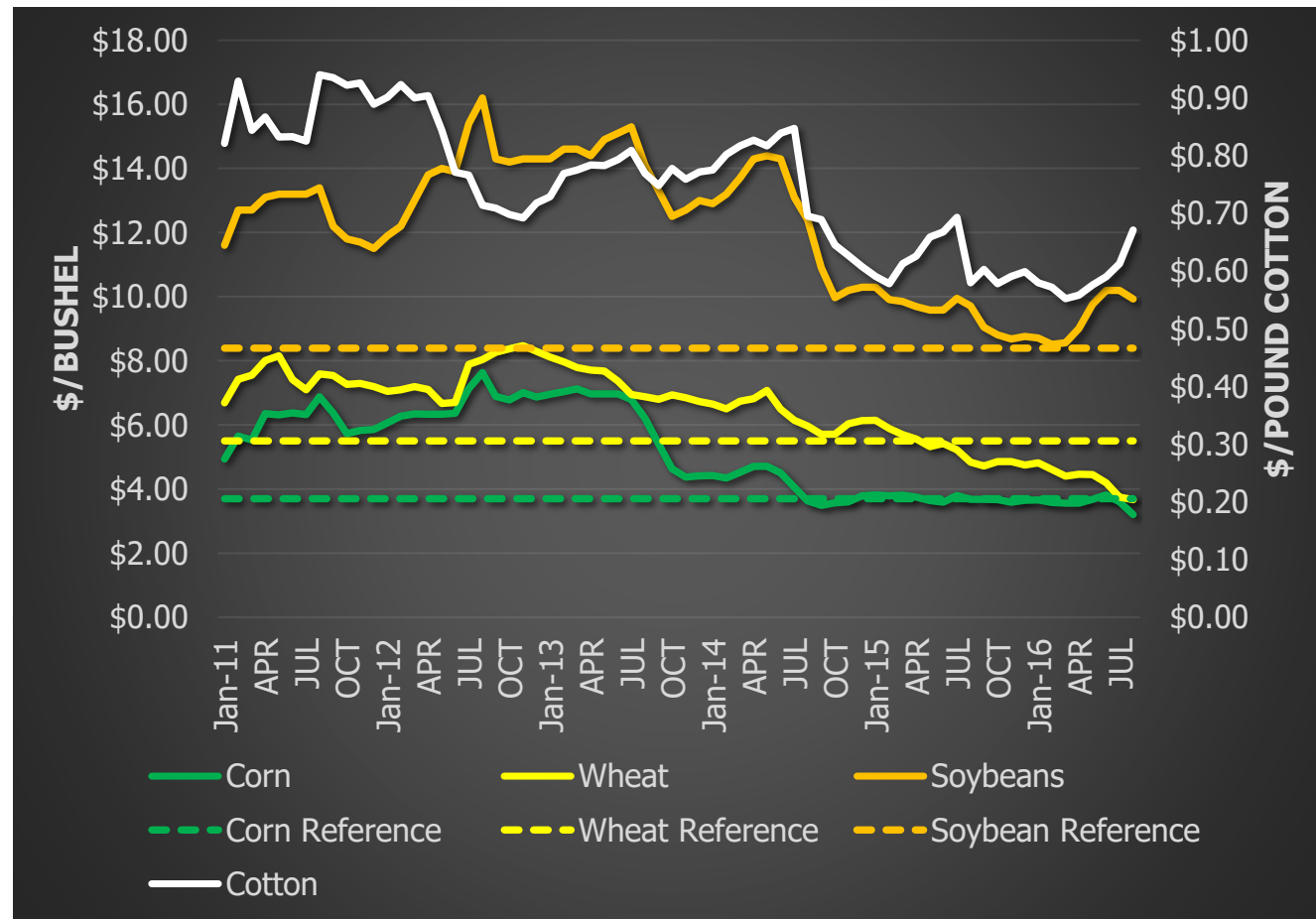
# Issues with ARC-CO Payments

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- **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

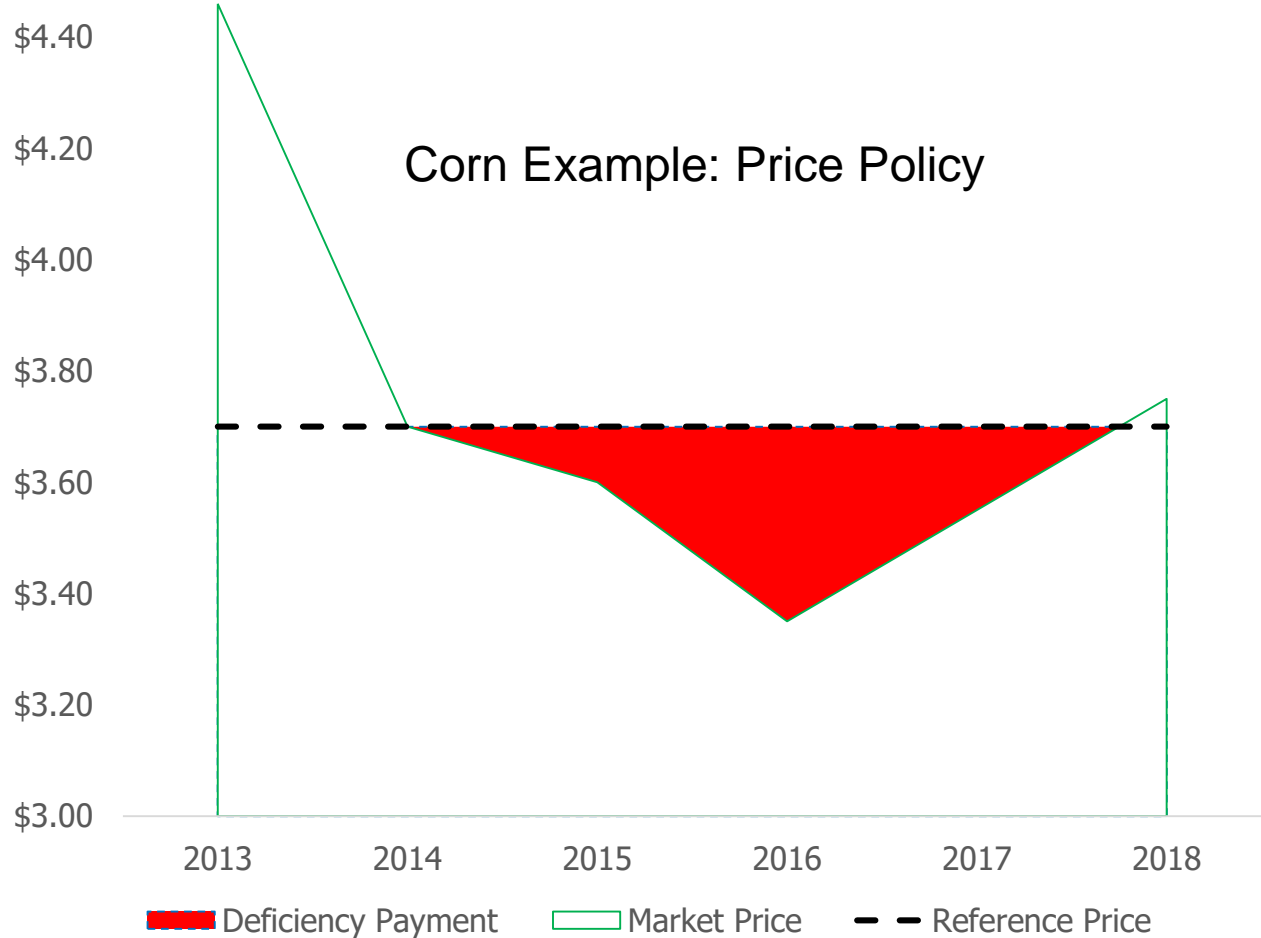
- Large harvests = lower prices since 2014 Farm Bill
- Sustained lower prices expected to impact farm program debate
- Difference between fixed price and 5 year Olympic moving average



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# FARM POLICY DISPUTE: PLC

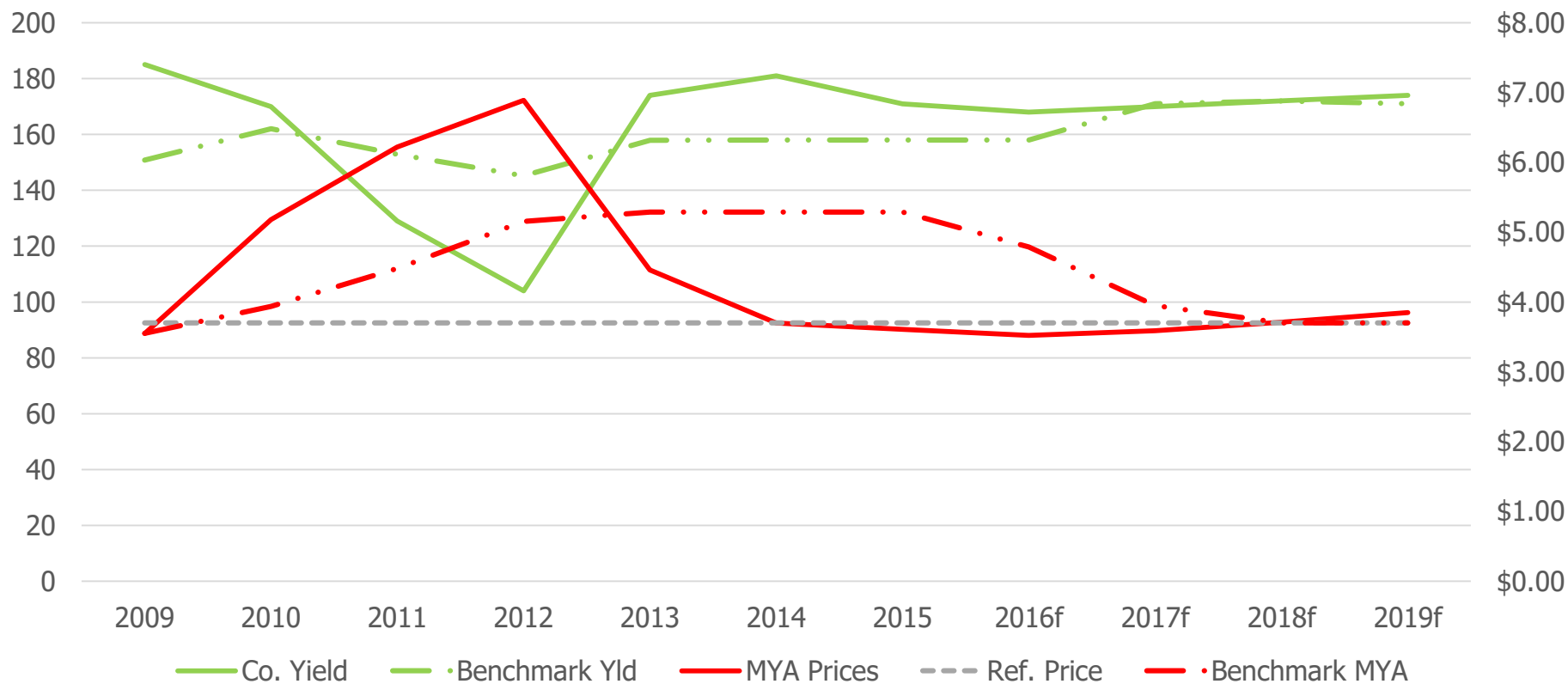
- **2014 Farm Bill eliminated direct payments**
- **Opened regional dispute over farm programs**
- **Price-based (South) vs. Revenue-based (Midwest)**



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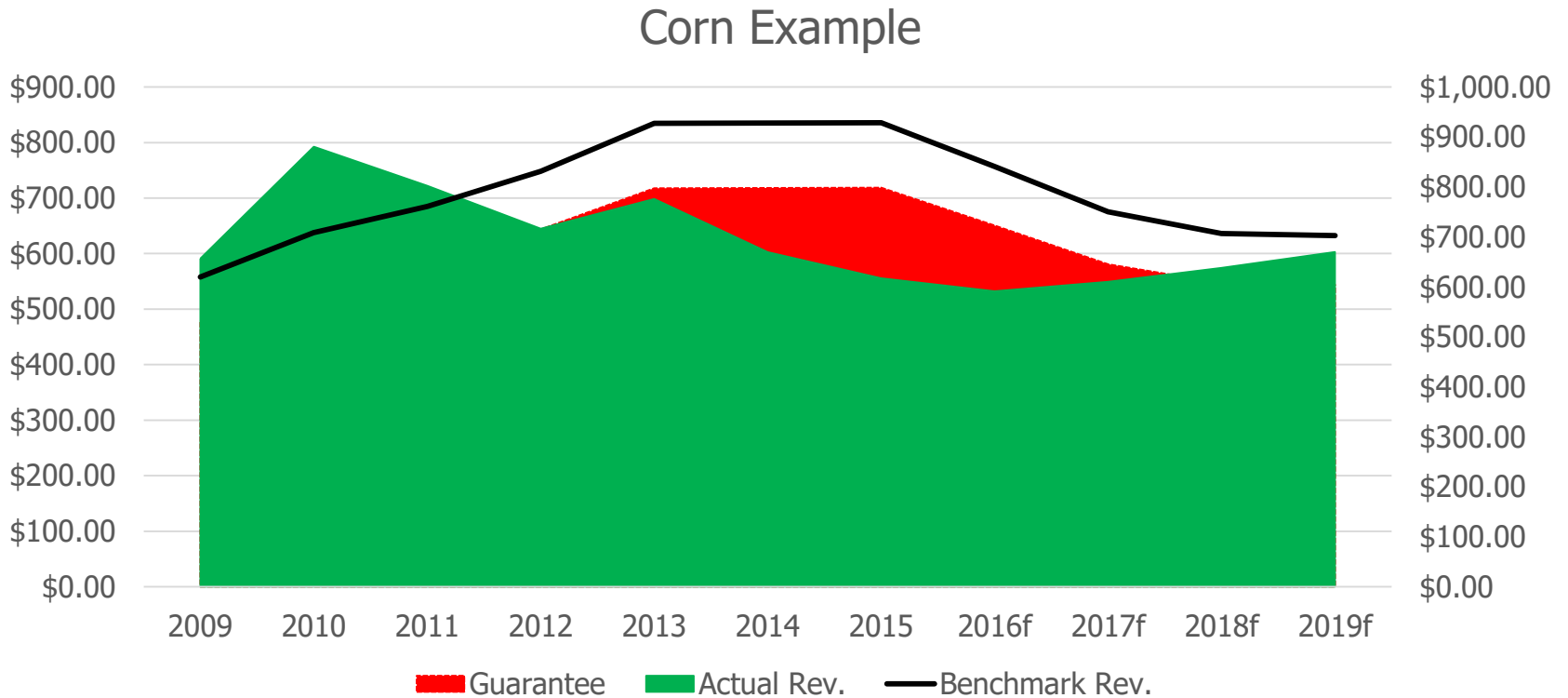
# FARM POLICY DISPUTE: ARC & REVENUE

Corn Example-Revenue Policy



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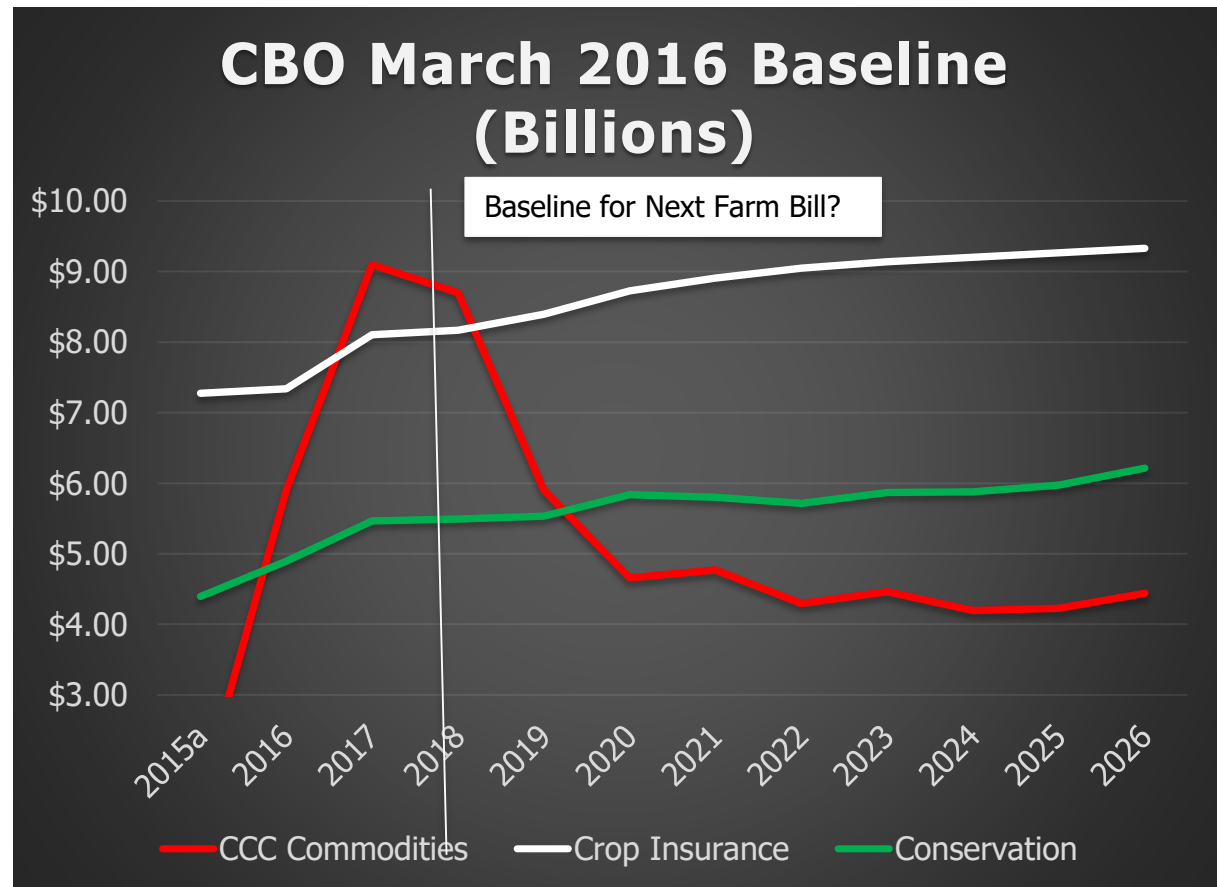
# REVENUE POLICY IMPACT ON BASELINE



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

# 2018 FARM BILL: SPENDING & PRIORITIES

- **With budget pressure: partisan and difficult; competition for resources**
- **A question of priorities within the farm policy budget baseline.**



# COMMODITY TITLE SPENDING BY COMMODITY

