

# FARM POLICY REVIEW & OUTLOOK FOR 2018 FARM BILL

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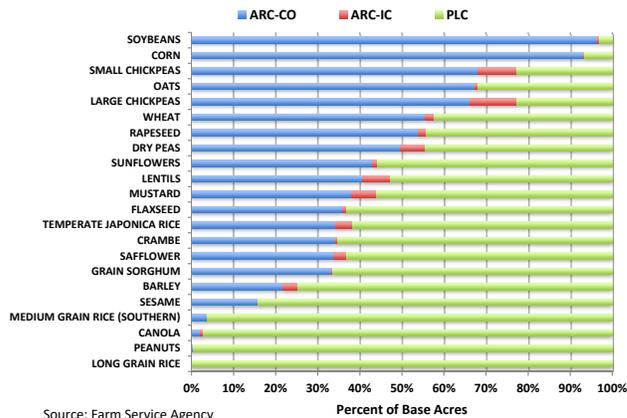
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## 2014 FARM PROGRAM ELECTION

- ✓ **Budget pressures = elimination of direct payments and dispute over policy.**
- ✓ **Farmer election represented the regional dispute.**
- ✓ **Lower price environment for 2018 farm bill and potential for revising program election.**

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



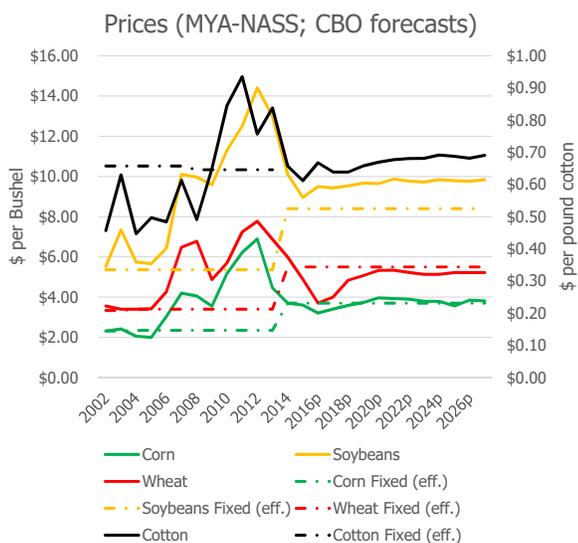
## FARM PROGRAM REVIEW: ARC-CO



- **Benchmark = 5-year Olympic average price & yield (drop high and low).**
- **Guarantee from 86% to 76% of benchmark.**
- **Payments on 85% of base.**
- **Key feature is the adjustment of price & yield components.**

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## FARM PROGRAM REVIEW: PLC

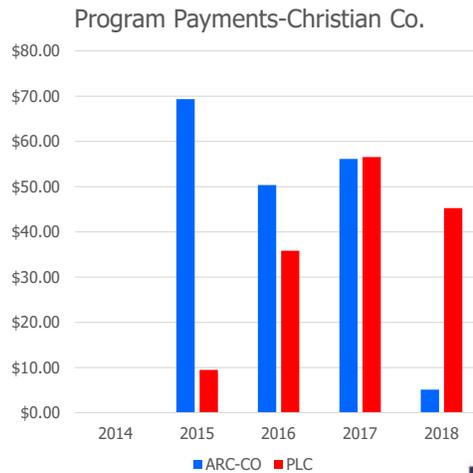


- **2014 Farm Bill raised reference prices; deficiencies paid on 85% of base.**
- **Not all reference prices are the same; lack of transparency and equity.**
- **Peanut price trigger (not shown) has averaged 120% of MYA since 2002.**

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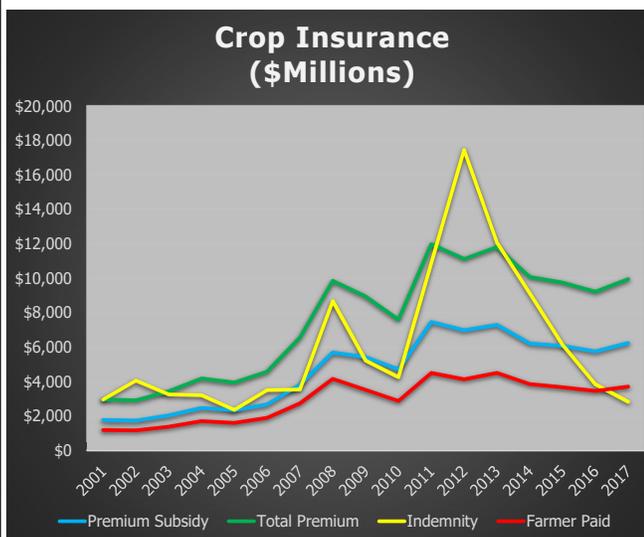
## FARM PROGRAM REVIEW

- **ARC-CO has averaged \$36.17 per base acre.**
- **PLC has averaged \$29 per base acre.**
- **Under current price scenarios, ARC unlikely to trigger payments; PLC likely to.**



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## OVERVIEW OF CROP INSURANCE



- **2017 total liability was over \$100b.**
- **Over 1m policies covering almost 300m acres insured.**
- **Loss ratio 0.28.**

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## FARM BILL CONSERVATION TITLE



### Reserve or Retirement

- CRP (1985): 10-15 year rental to reserve from production
- ACEP (1990): Easement purchased on land; wetlands, grasslands; farmland



### Working Lands

- EQIP (1996): cost-share assistance for practices; meet or avoid regulation
- CSP (2002): 5-year contracts for maintaining and improving conservation
- RCPP (2014): works across programs; regional basis; private funding match



### Compliance (1985)

- Determines eligibility for Federal assistance, including premium subsidy
- Highly Erodible Land w/ plan; no converting or farming on converted wetlands
- Significance: added in Eighties crisis; crop insurance removed 1996; reattached 2014

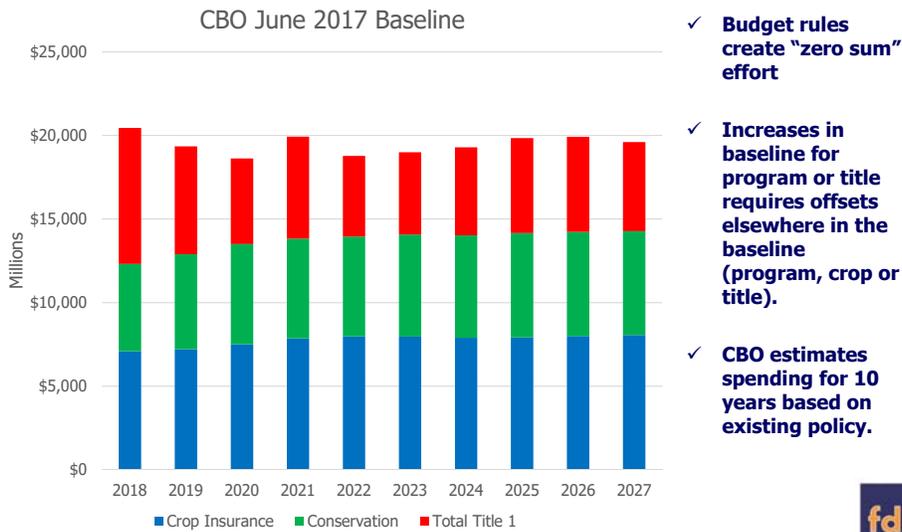
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Outlook 2018.

## SEVEN ISSUES FOR THE NEXT FARM BILL

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# ISSUE #1: CBO BASELINE



# ISSUE #2: CROP INSURANCE

- At roughly \$6b per year, premium discount is a target.
- Admin./Heritage: save over \$30b by capping discount, eliminating harvest price, AGI.
- Flake-Shaheen, save \$24b from harvest price, rate of return and capping premium subsidies/AGI.

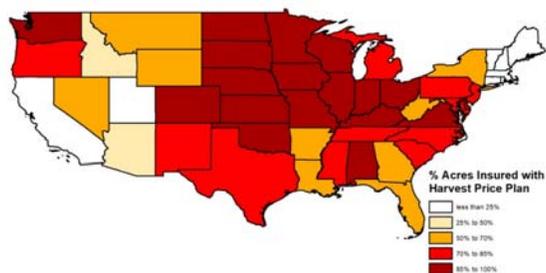
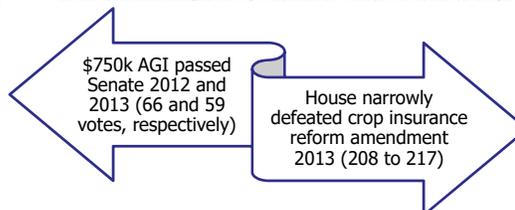
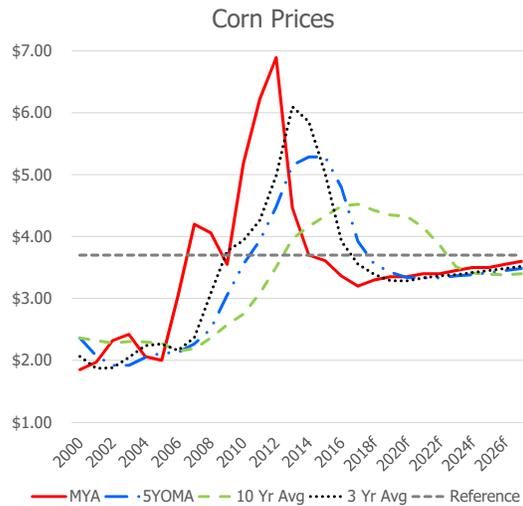


Figure 2. Percentage of Acres Insured with a Harvest Price Plan (RP or ARP). All Crops, 2016  
 Note: Based on insured acreage for all crops under RP, RP-HPE, YP, ARP, ARP-HPE, and AYP plans of insurance.



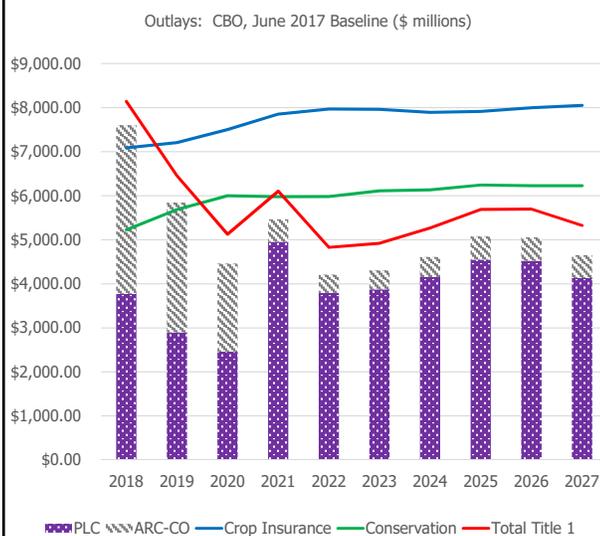
## ISSUE #3: REVISING ARC

- **Yield fixes: trend yield instead of 5-year Olympic; use RMA yields.**
- **Price fixes: different moving average prices (3-year; 10-year).**
- **Higher guarantee (e.g. 90%) and bigger coverage band (e.g. 15-20%).**



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## ARC & PLC IN THE BASELINE

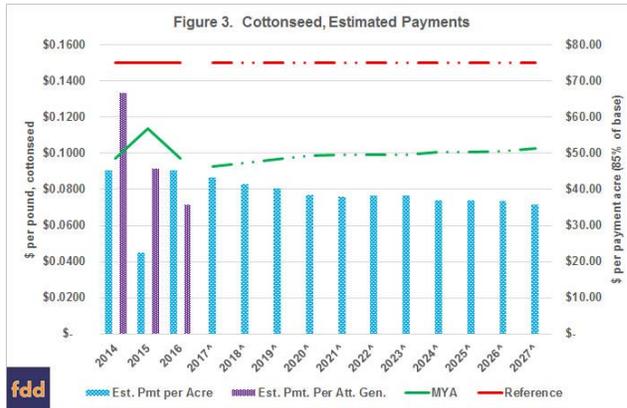


- **Notable shift in Title I baseline from ARC to PLC.**
- **CBO assumes 82% of corn base takes PLC; low ARC payments.**

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## ISSUE #4: COTTONSEED & DAIRY

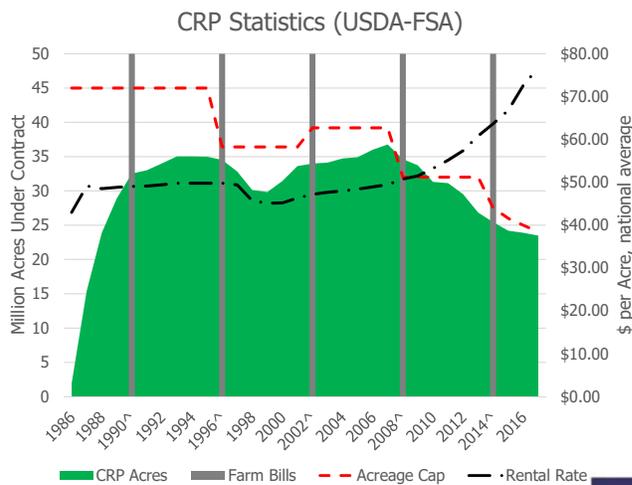
- Cotton removed in 2014 because of WTO dispute with Brazil.
- Demand that cottonseed be added to list of covered commodities at \$15.00 cwt. (\$0.15/lb.).
- Potentially \$5.4 billion in baseline cost; what gets cut (corn, crop insurance, conservation, all of the above)?
- Dairy: seeking fixes to Margin Protection Program; feed cost calculation; premium; cost unknown.



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## ISSUE #5: CRP AND CONSERVATION

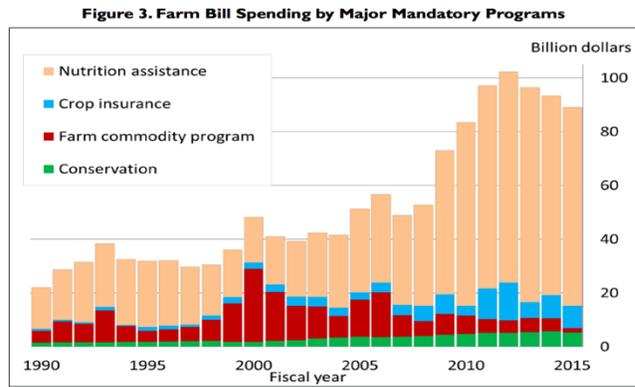
- ✓ 2014 Farm Bill reduced acreage cap to 24 million acres.
- ✓ Lower prices have increased interest in an increase to cap; wildlife and hunting interests are pushing.
- ✓ Previous high was from 2002 Farm Bill at 39.2m; Concerns about baseline and offset issues; impact on working lands programs.
- ✓ Problems with increasing rental rates in some areas competing with cash rents in low price environment.



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## ISSUE #6: SNAP

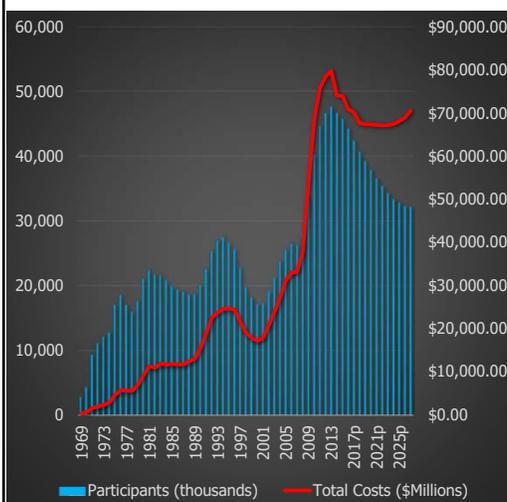
- **Substantial increase in nutrition assistance particularly since 2008 recession; increases political pressure.**
- **Recent hearings raise concerns about error rates, fraud, etc.**
- **Signal another partisan SNAP fight?**
- **Congressional challenges in general, will this make it worse?**



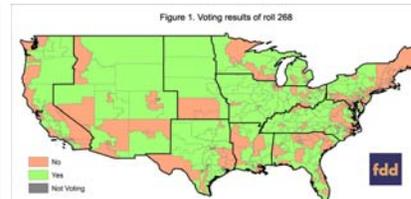
Sources: CRS, using USDA data, including USDA Farm Service Agency, "Table 35," *Agricultural Outlook*; USDA Risk Management Agency, "Program Costs and Outlays by Fiscal Year;" J. Glauber, "Crop Insurance Reconsidered," *American Journal of Agricultural Economics*, 2004; USDA Farm Service Agency, "Output 3," *Commodity Estimates Book*; USDA Natural Resources Conservation Service, "Soil and Water Conservation Expenditures, 1935-2010," 2011; and USDA Food and Nutrition Service, "National Level Annual Summary, Participation and Costs."

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## SNAP: HISTORICAL BACKGROUND



Source: USDA; CBO (projections)



- Helped farm programs in 1964; added to farm bill in 1973; spending is on food, which benefits farmers.
- Controversial amendment in 2013 and farm bill defeat in House (195 to 234).
- Strongest opponents of SNAP tend to oppose farm programs and crop insurance.

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## ISSUE #7: TAX & DEFICIT.



- Before the tax legislation, CBO estimated debt would increase from \$15.5 trillion to \$25.5 trillion by 2027.
- Statutory Pay-As-You-Go (PAYGO) would require offsets for tax bill; Congress would need to revise.
- Note: 2018 PAYGO estimate is \$38 billion.



