

The 2018 Farm Bill: Overview & Outlook

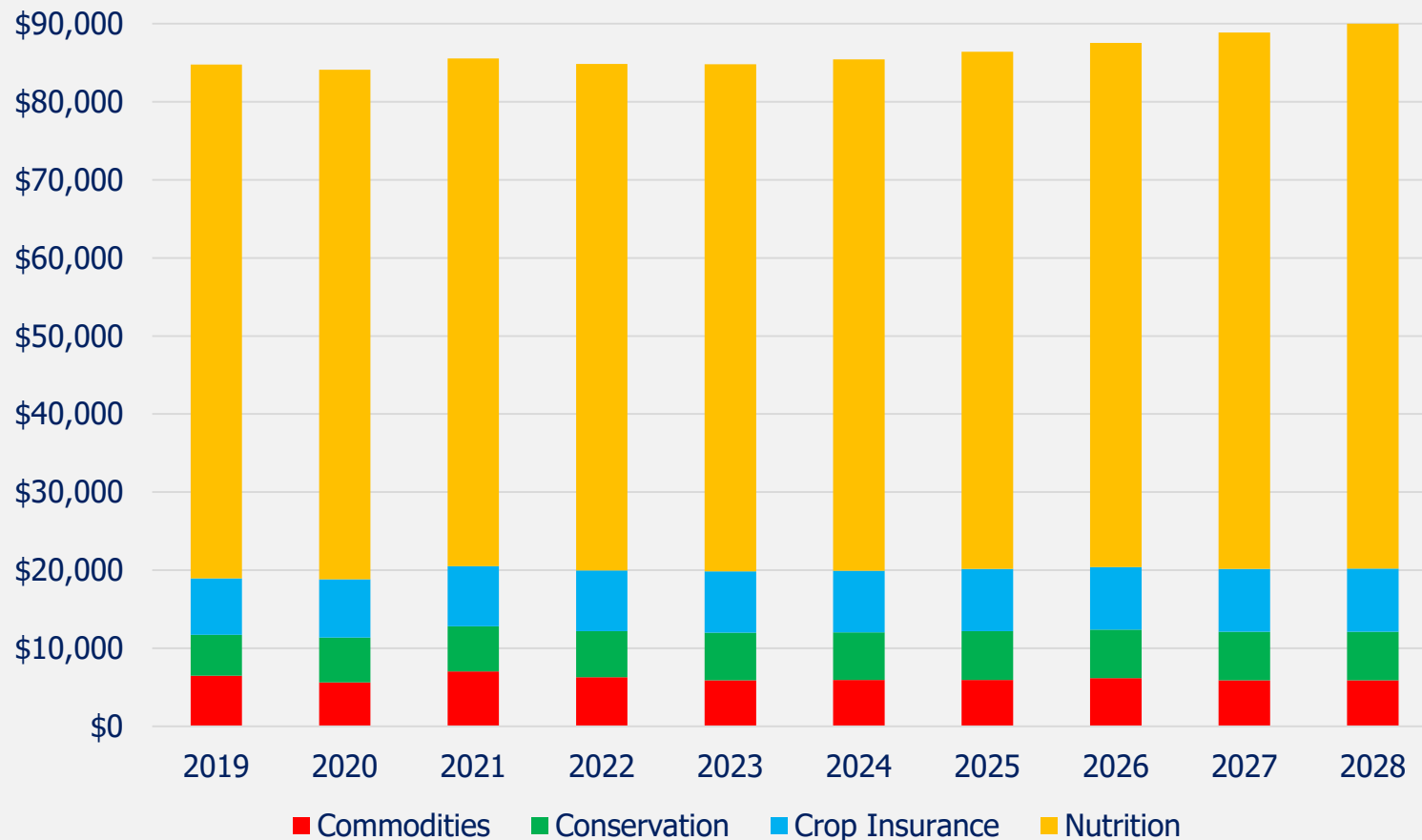
Jonathan Coppess & Nick Paulson



**Gardner
Agriculture
Policy
Program**

2018 FARM BILL.—CBO BASELINE

Outlays, CBO April 2018 Baseline



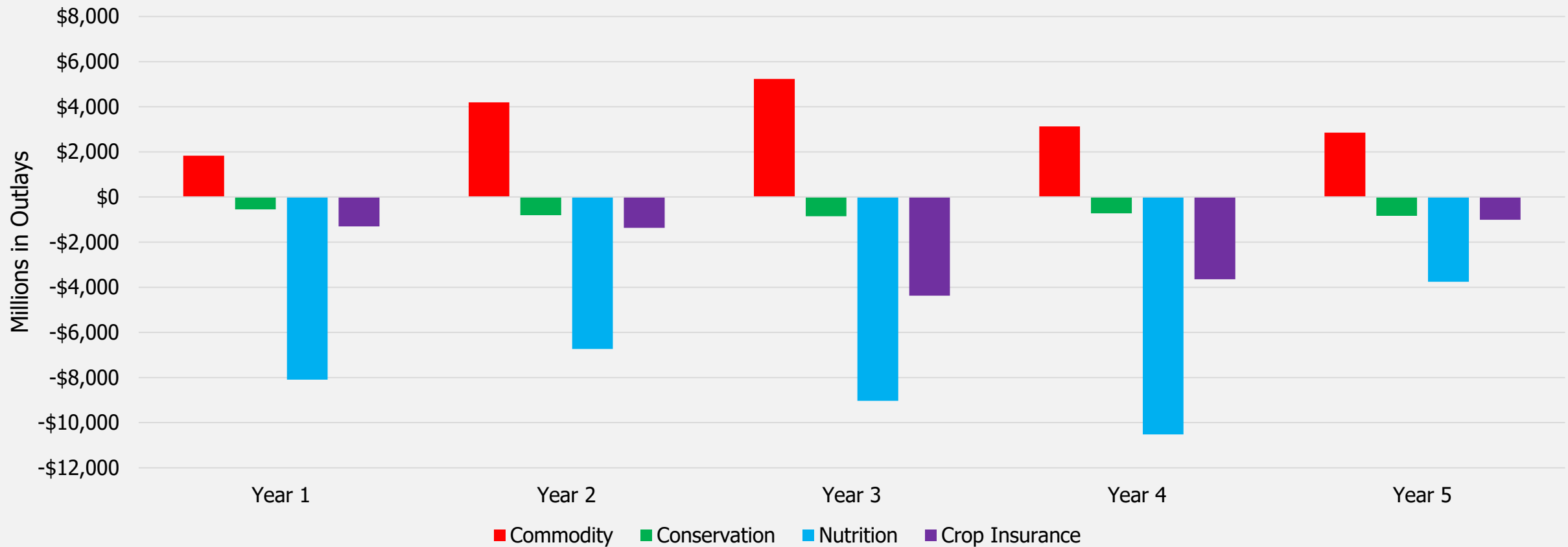
- **CBO projected spending, mandatory programs:**

1. Farm Programs (Title I);
2. Conservation (Title II)
3. Nutrition and SNAP (Title IV)
4. Crop Insurance (Title XI).

Source: Congressional Budget Office

REVIEW: AGRICULTURAL ACT OF 2014

Difference In Spending (2014 Baseline Estimate-Revised 2018)

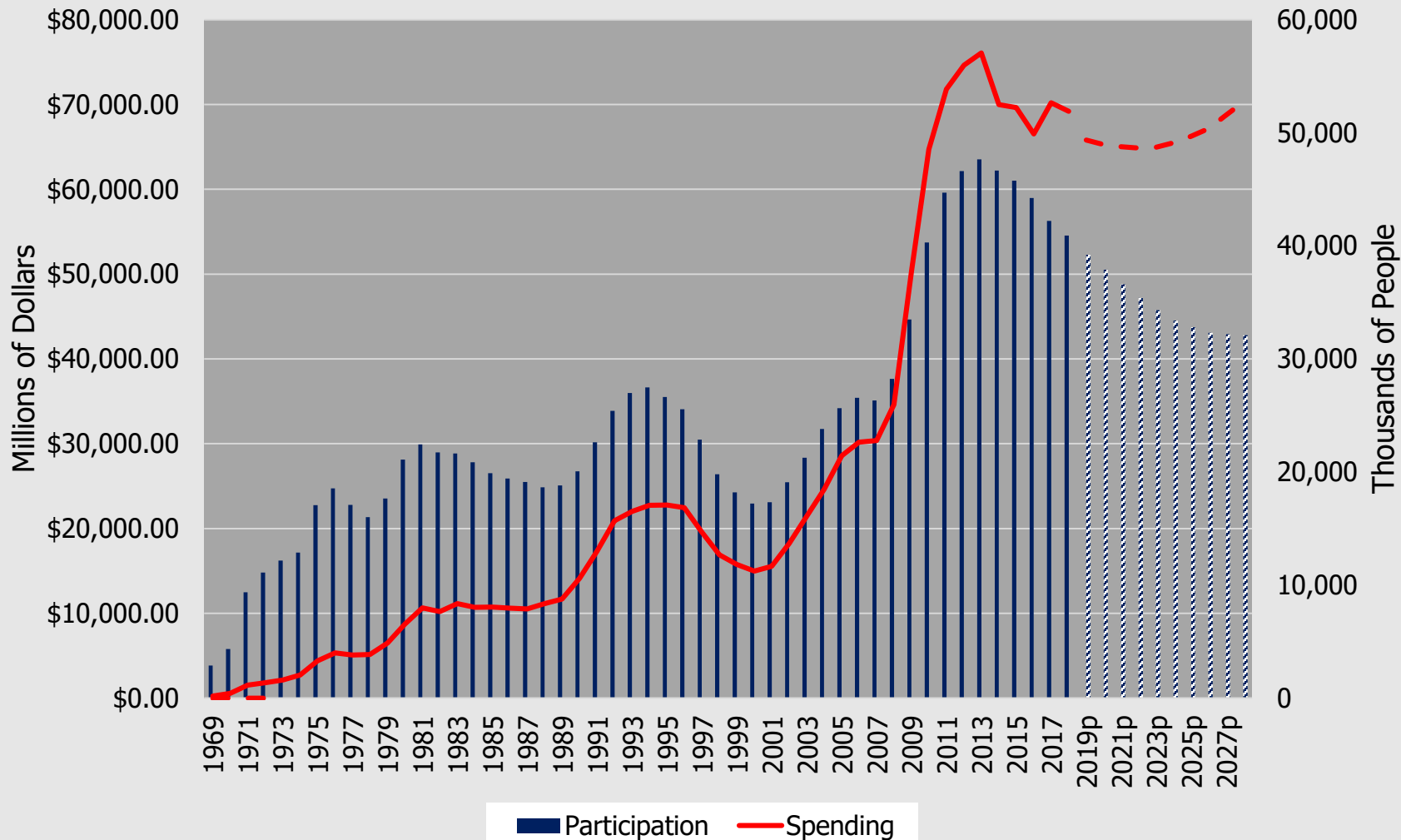


Source: Congressional Budget Office

BACKGROUND:

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

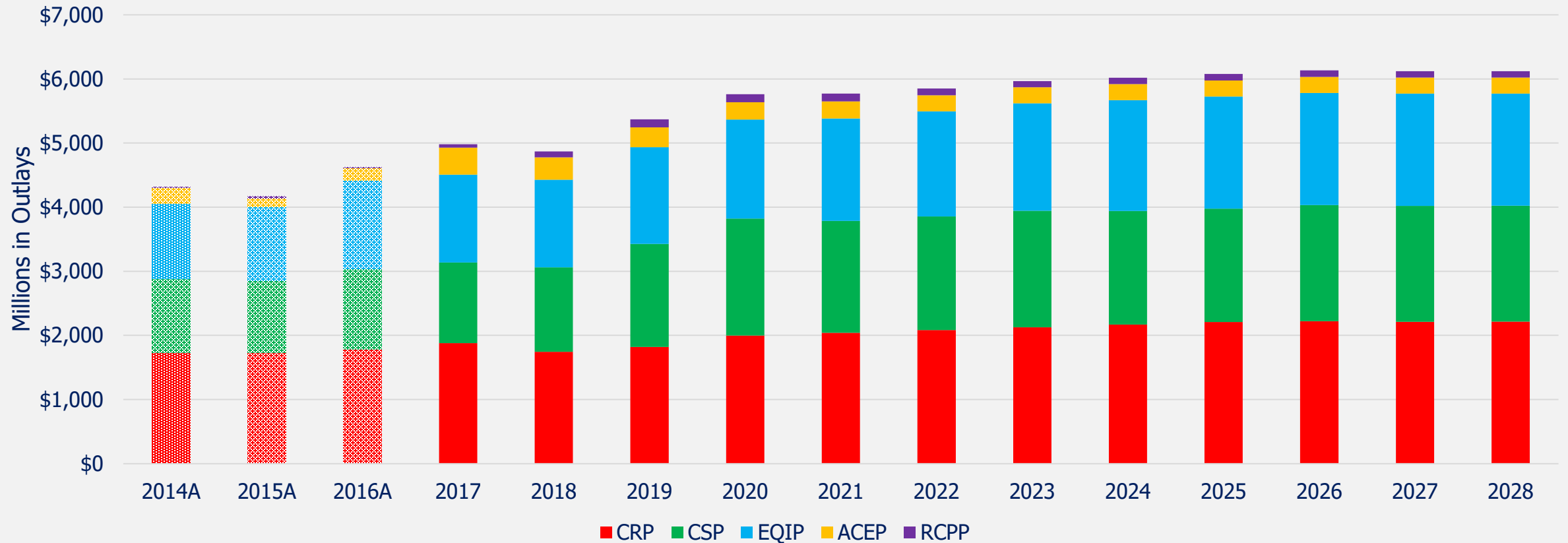
Historic & Estimated SNAP Spending & Participation (USDA and CBO)



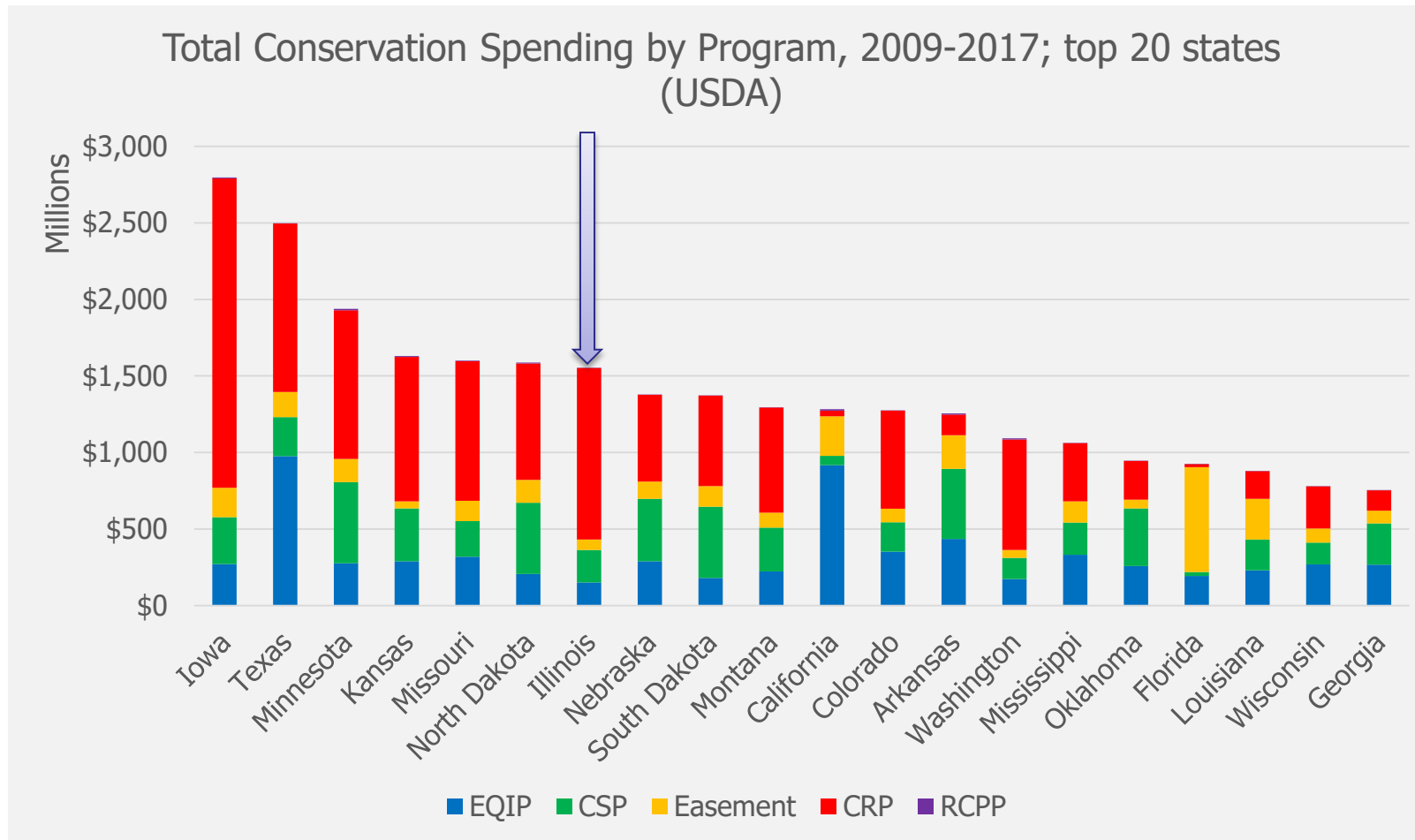
- **Largest program by spending and people.**
- **Low-income assistance; counter-cyclical.**
- **House partisan dispute; dropped in conference; no changes.**

Conservation Program: Spending & 2018 Baseline

Conservation Program Outlays, Revised (CBO)



REVIEW: CONSERVATION PROGRAMS



- **CRP is dominant source of conservation funds;**
- **IL benefits more from CSP (\$212m) than EQIP (\$151m).**
- **IL receives on average 9.8% of EQIP funds and 13.7% of CSP funds nationally.**

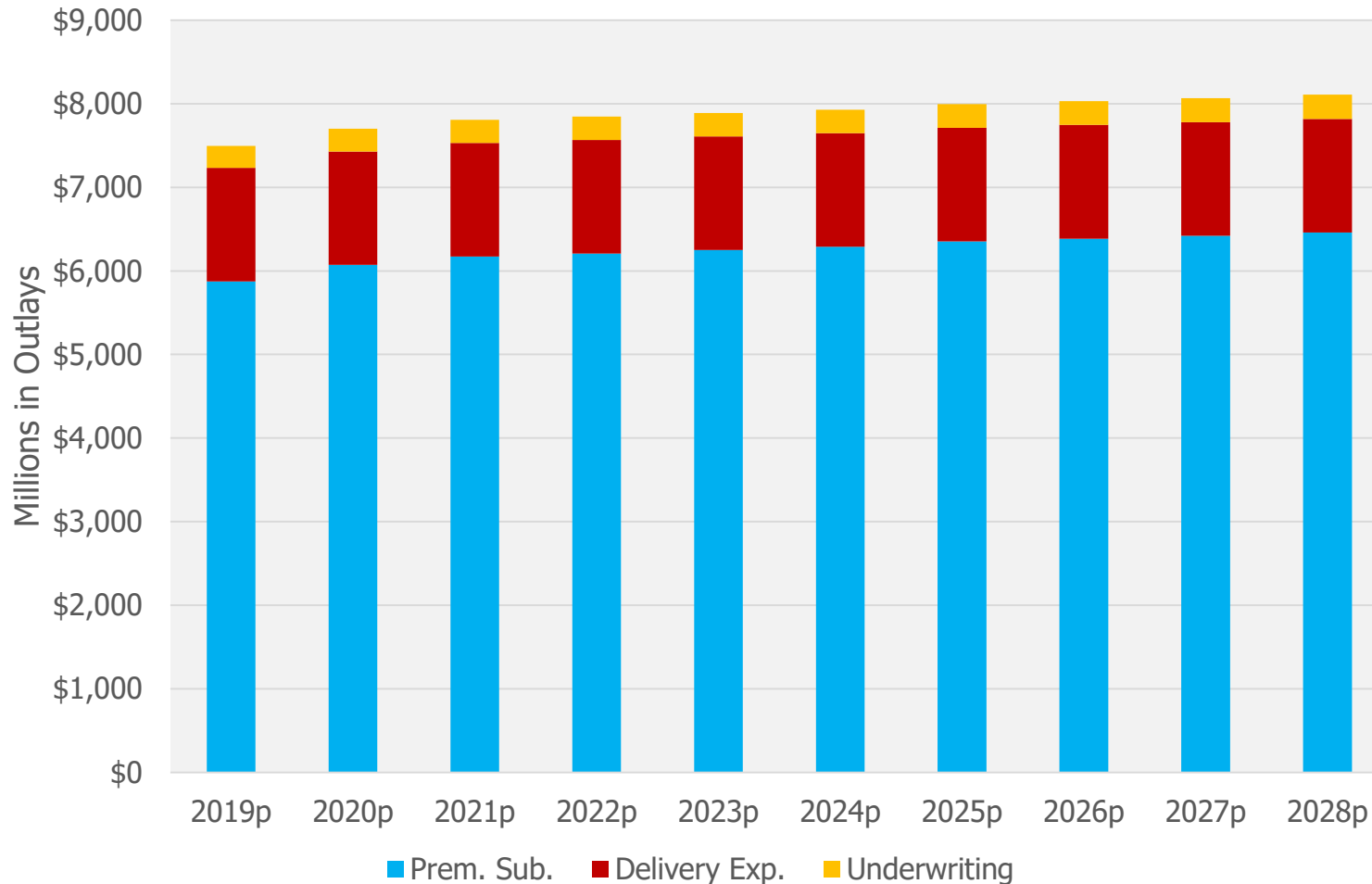
2018 FARM BILL: CONSERVATION

- ✓ Expanded CRP: 27m acres; 30-year contracts; limits on rental payments.
- ✓ Blended CSP and EQIP with fixed funding levels; increased EQIP.
- ✓ Acreage-based CSP eliminated, existing contracts continue; potential for 1-year extension for 2019.

April 2018 Baseline (Millions in Outlays)				Changes in 2018 Farm Bill (Millions)							
EQIP	CSP	Total		EQIP (Budget Authority)	New CSP (Budget Authority)	Chapter 4 Budget Authority (EQIP & CSP)	Chapter 4 EQIP & CSP Score (CBO, Outlays)	Ending CSP Score (Outlays)	Residual CSP (Baseline + Score)	Net CSP (Residual + Budget Authority)	Potential Total (EQIP Budget Authority + Net CSP)
\$1,509	\$1,607	\$3,116	2019	\$1,750	\$700	\$2,450	\$170	-\$25	\$1,582	\$2,282	\$4,032
\$1,545	\$1,822	\$3,367	2020	\$1,750	\$725	\$2,475	\$356	-\$358	\$1,464	\$2,189	\$3,939
\$1,600	\$1,743	\$3,343	2021	\$1,800	\$750	\$2,550	\$539	-\$796	\$947	\$1,697	\$3,497
\$1,640	\$1,772	\$3,412	2022	\$1,850	\$800	\$2,650	\$692	-\$1,103	\$669	\$1,469	\$3,319
\$1,674	\$1,820	\$3,494	2023	\$2,025	\$1,000	\$3,025	\$903	-\$1,387	\$433	\$1,433	\$3,458
\$1,729	\$1,771	\$3,500	2024	\$2,025	\$1,000	\$3,025	\$1,019	-\$1,562	\$209	\$1,209	\$3,234
\$1,750	\$1,768	\$3,518	2025	\$2,025	\$1,000	\$3,025	\$1,100	-\$1,768	\$0	\$1,000	\$3,025
\$1,750	\$1,810	\$3,560	2026	\$2,025	\$1,000	\$3,025	\$1,184	-\$1,810	\$0	\$1,000	\$3,025
\$1,750	\$1,808	\$3,558	2027	\$2,025	\$1,000	\$3,025	\$1,233	-\$1,808	\$0	\$1,000	\$3,025
\$1,750	\$1,808	\$3,558	2028	\$2,025	\$1,000	\$3,025	\$1,257	-\$1,808	\$0	\$1,000	\$3,025
\$16,697	\$17,729	\$34,426	Total	\$19,300	\$8,975	\$28,275	\$8,453	-\$12,425	\$5,304	\$14,279	\$33,579

2018 FARM BILL: CROP INSURANCE

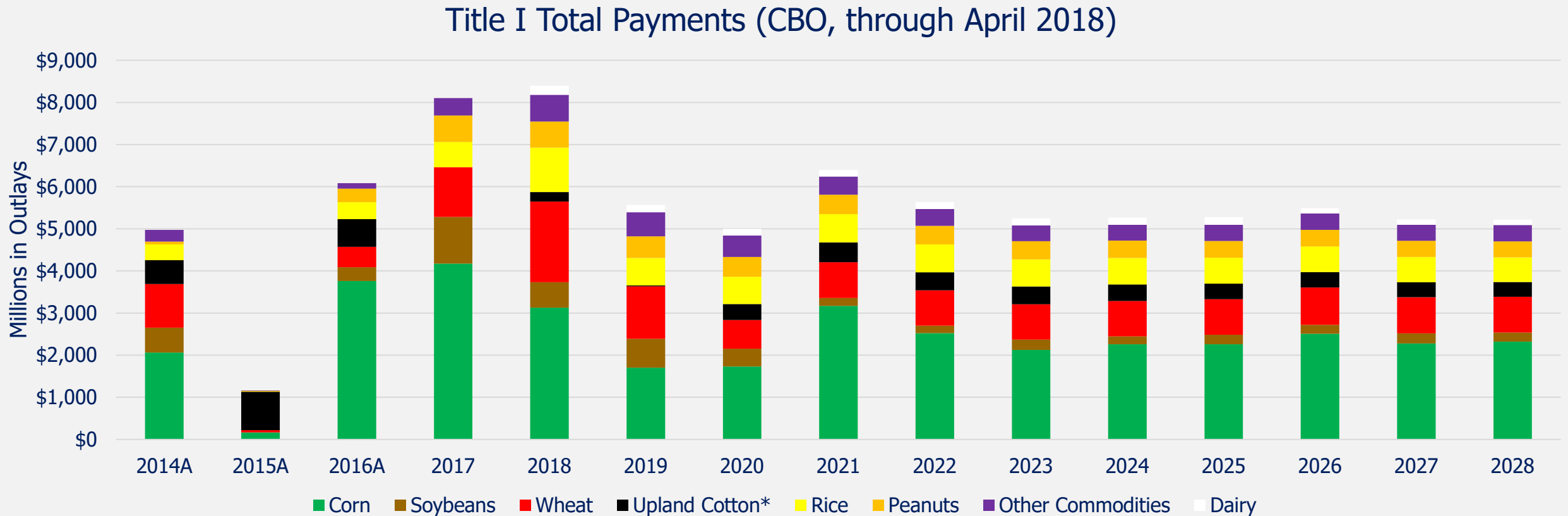
Crop Insurance Baseline (CBO)



- ✓ Crop Insurance is largely unchanged; New provisions for cover crops:
- ✓ defines termination (NRCS or local expert);
- ✓ Cover crops considered a good farming practice; termination should not impact insurability.

REVIEW:

AGRICULTURAL ACT OF 2014; TITLE I SPENDING



ARC-CO CORN EXAMPLE

ARC-CO PLC Payment Estimator

Input

State
 County
 Crop
 Type
 PLC Payment Yield

Use Defaults

Help

Print

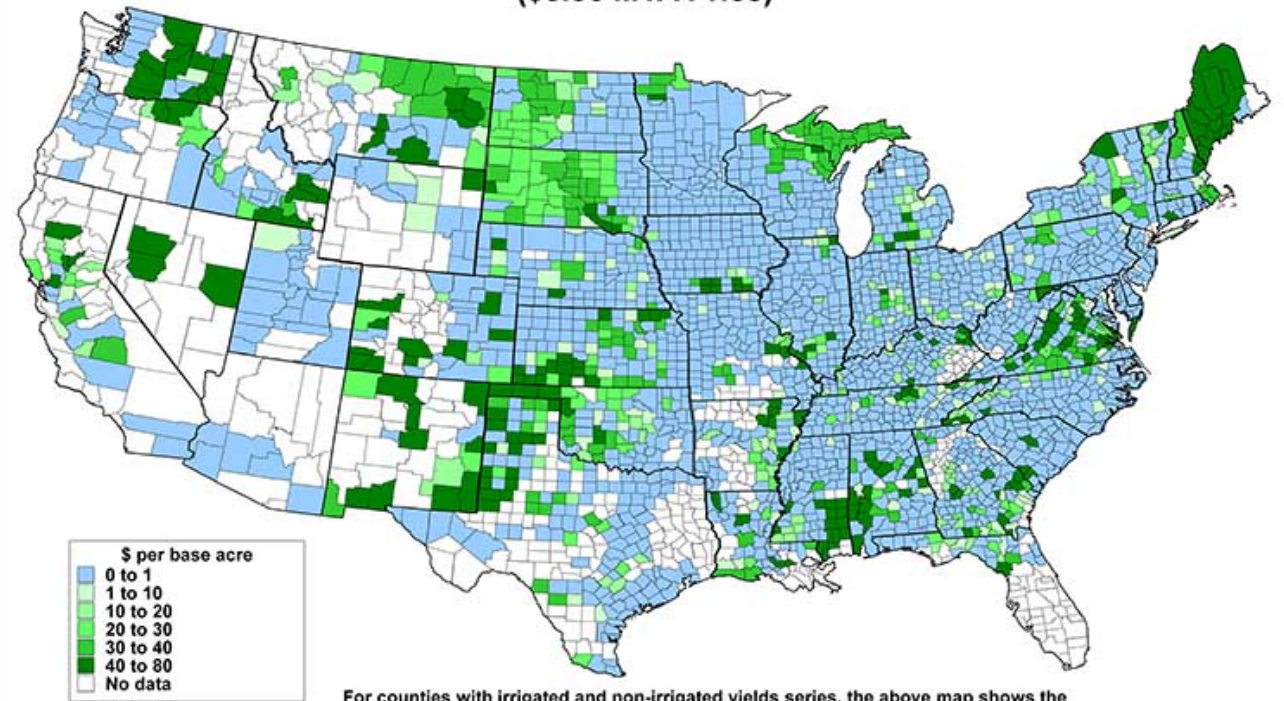


What-If

Change the county yields and Market Year Average (MYA) prices for 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.

Input			Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
Year	County	MYA Price ¹	Benchmark Yield ²	Price ³	ARC Guarantee ⁴	ARC Payment ⁵	Payment ⁶
2009	190	3.55					
2010	169	5.18					
2011	164	6.22					
2012	123	6.89					
2013	168	4.46					
2014	216	3.70					
2015	189	3.61					
2016	210	3.36					
2017	207	3.36					
2018	<input type="text" value="187"/>	<input type="text" value="3.60"/>					
Five-Year Average			14.04				
National loan rate equals: 1.95			Reference price equals: 3.70				

Figure 2. 2017 ARC-CO County Payments for Corn, \$ Per Base Acre (\$3.36 MYA Price)



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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ARC-CO SOYBEAN EXAMPLE

ARC-CO PLC Payment Estimator

Input

State	Illinois
County	Champaign
Crop	Soybeans
Type	All
PLC Payment Yield	42

Use Defaults

Help

Print



What-If

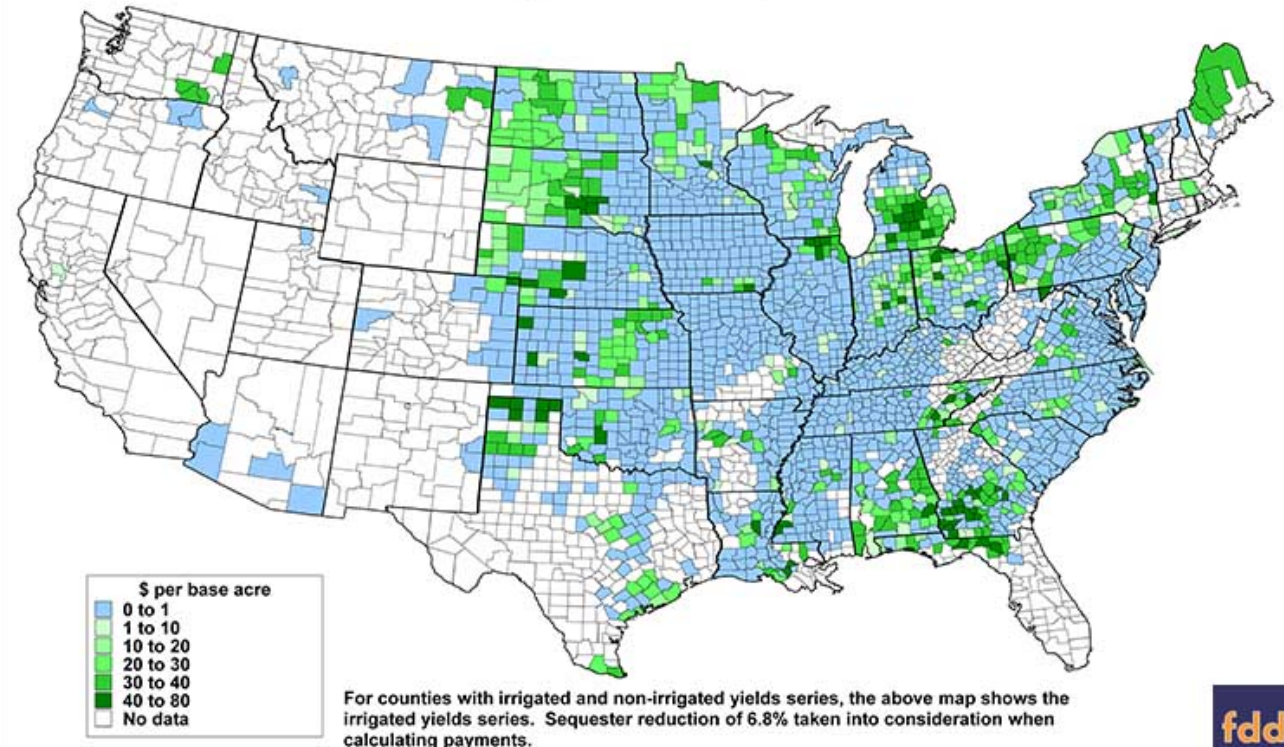
Change the county yields and Market Year Average (MYA) prices for 2018 to see payments under ARC-County and PLC. Payments are stated per base acre, as such they are multiplied by .85. If there are 100 base acres per farm, multiply the result below by 100.

Input			Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
Year	County Yield	MYA Price ¹	Benchmark Yield ²	Price ³	ARC Guarantee ⁴	ARC Payment ⁵	Payment ⁶
2009	56	9.59					
2010	56	11.30					
2011	51	12.50					
2012	47	14.40					
2013	53	13.00				\$/acre	\$/acre
2014	64	10.10	53	12.27	559	0.00	0
2015	64	8.95	53	12.27	559	0.00	0
2016	67	9.47	56	11.87	572	0.00	0
2017	64	9.33	60	10.86	560	0.00	0
2018	65	8.60	64	9.63	530	0.00	0
Five-Year Average						0.00	0

National loan rate equals: 5.00

Reference price equals: 8.40

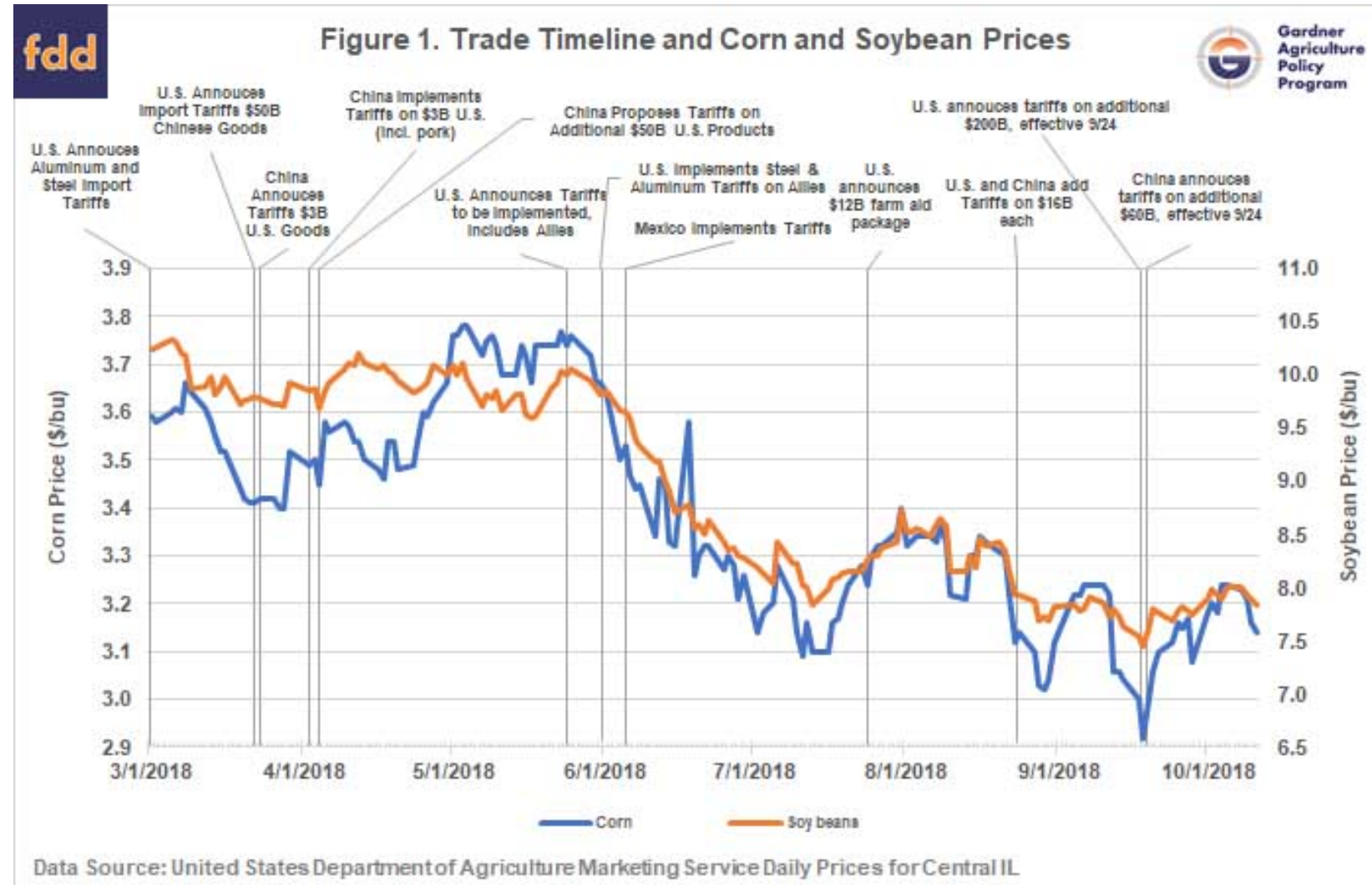
Figure 4. Estimated 2017 ARC-CO County Payments for Soybeans, \$ Per Base Acre (\$9.33 MYA Price)



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ADDITIONAL CHALLENGES FOR COMMODITIES



- **Trump Administration & tariff conflict;**
- **Especially with China and for soybeans;**
- **Market Facilitation Program (MFP) payments.**

UPDATED SITUATION FOR TITLE I

Table 2. Direct Cash Payments for 2018 Crop (CBO and USDA)

	ARC-PLC-LDP June 2017 Baseline (CBO)	ARC-PLC-LDP April 2018 Baseline (CBO)	Difference in Baseline (2018- 2017)	Est. MFP Payment (USDA)	Cotton Ginning Cost Share Assistance (USDA)	Total Expected Payments for 2018 Crop
Corn	\$1,227,000,000	\$1,730,169,366	\$503,169,366	\$96,000,000	\$0	\$1,826,169,366
Soybeans	\$608,000,000	\$422,240,803	-\$185,759,197	\$3,629,700,000	\$0	\$4,051,940,803
Wheat	\$997,000,000	\$685,351,961	-\$311,648,039	\$119,200,000	\$0	\$804,551,961
Cotton	\$5,000,000	\$363,229,055	\$358,229,055	\$276,900,000	\$227,000,000	\$867,129,055
Total	\$2,837,000,000	\$3,200,991,185	\$363,991,185	\$4,121,800,000	\$227,000,000	\$7,549,791,185

- Continued lower prices = increased spending in ARC/PLC
- Addition of Seed Cotton + MFP + Cotton Ginning
- MFP: 2 Rounds (\$0.01-corn; \$1.65-soybeans); 2nd just announced (\$4.8b)

AGRICULTURAL IMPROVEMENT ACT OF 2018

Table 1. Estimated Yield Update Factor

	2008 to 2012 National Average Yield ^A	2013 to 2017 National Average Yield ^A	Actual Ratio	Effective Ratio (between 0.9 and 1.0)	Yield Update Factor [*]
CORN (bu./acre)	135.3	155.9	0.87	0.90	0.81
UPLAND COTTON (lb./acre) ^{^^}	640.4	715.3	0.90	0.90	0.81
PEANUTS (lb./acre)	3,446.3	3,716.0	0.93	0.93	0.83
ALL RICE (cwt./acre)	69.6	73.7	0.94	0.94	0.85
SOYBEANS (bu./acre)	41.3	47.8	0.86	0.90	0.81
SORGHUM (bu./acre)	51.5	63.2	0.81	0.90	0.81
ALL WHEAT (bu./acre)	39.1	39.0	1.00	1.00	0.90

Notes:

^ANational average yields calculated as NASS production/planted acres; FSA yields likely to differ

^{*}Updated yield option = Yield Update Factor times the 2013 to 2017 average yields for the farm

^{^^}Seed cotton program yield = 2.4 X upland cotton yield (as updated)

- ✓ Election for 2019 & 2020 crops between ARC and PLC;
- ✓ Revisit election for 2021 through 2023 crops;
- ✓ ARC-CO: administrative county; to use 80% t-yield plug and crop insurance trend adjusted yields;
- ✓ PLC: Optional yield update.

2014

90% 2008-
2012 (175
avg.)

157.5
update

2018

0.81 2013-
2017 (192.5
avg.)

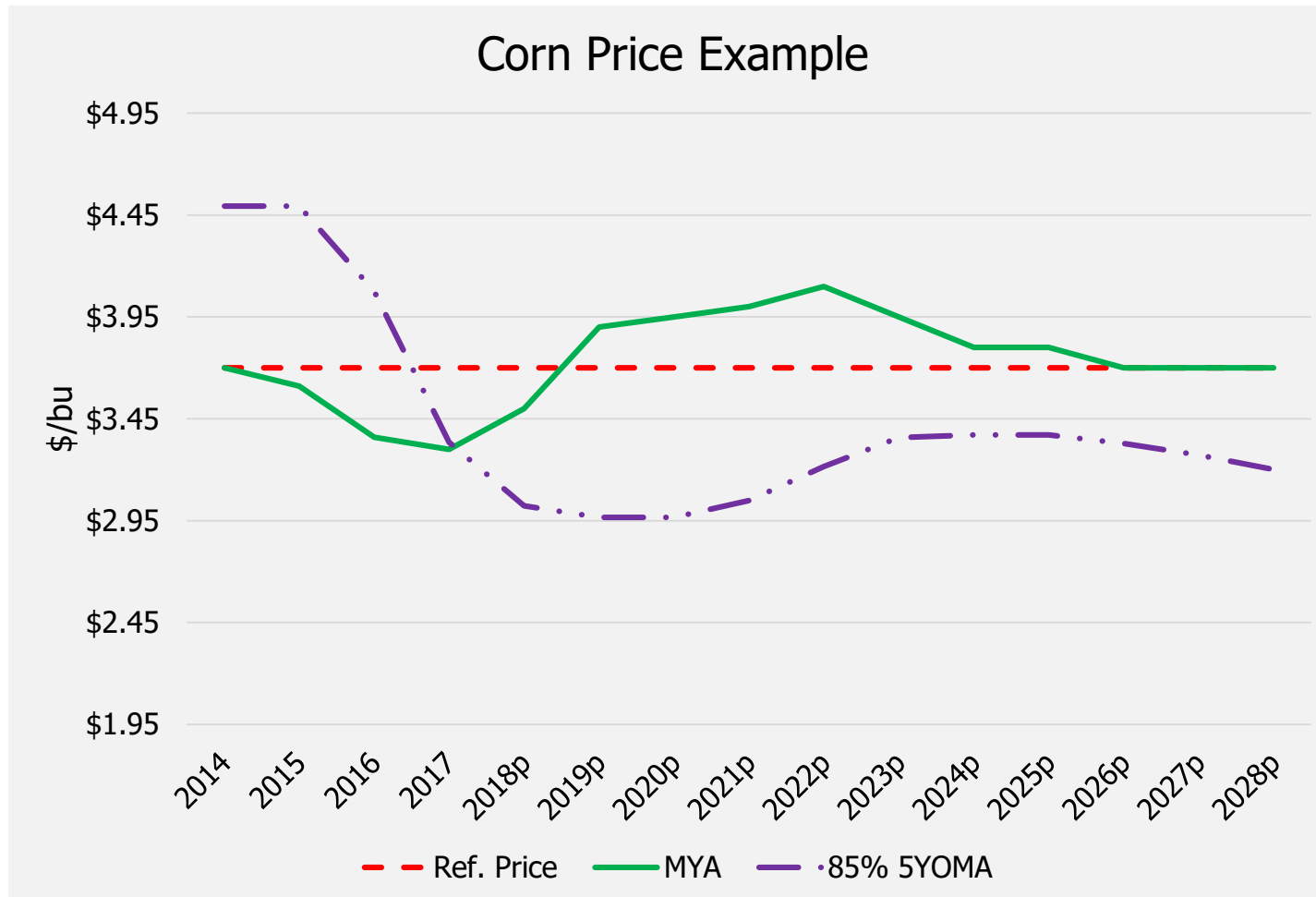
155.9; no
update

AGRICULTURAL IMPROVEMENT ACT OF 2018

- ✓ PLC: reference price escalator;
- ✓ Effective reference = 85% of 5-year Olympic moving average; up to 115% of statutory reference.
- ✓ MAL/LDP: increased loan rates.

Table 2. 2018 Farm Bill Loan Rates			
Loan Commodity	Current Loan Rate	2019 to 2023 Loan Rate	Percentage Increase
WHEAT (bu.)	\$2.94	\$3.38	114.97%
CORN (bu.)	\$1.95	\$2.20	112.82%
GRAIN SORGHUM (bu.)	\$1.95	\$2.20	112.82%
BARLEY (bu.)	\$1.95	\$2.20	112.82%
UPLAND COTTON (lb.)	2-year average of world prices (between \$0.45 and \$0.52/lb.)		2-year average of world prices, not less than 98% of previous year (between \$0.45 and \$0.52/lb)
LONG GRAIN RICE (cwt.)	\$6.50	\$7.00	107.69%
MEDIUM GRAIN RICE (cwt.)	\$6.50	\$7.00	107.69%
SOYBEANS (bu.)	\$5.00	\$6.20	124.00%
PEANUTS (tons)	\$355	\$355	100.00%

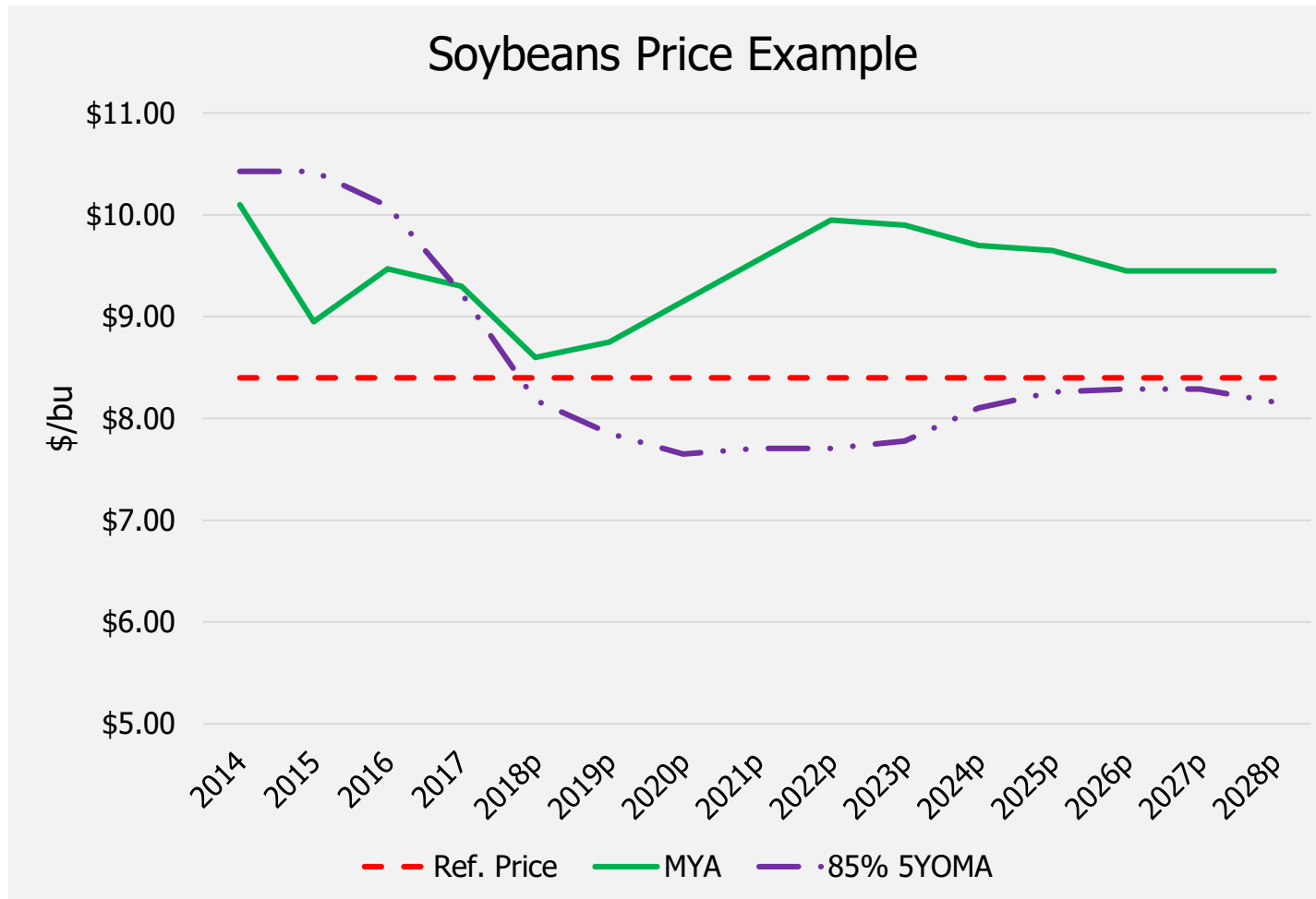
2018 FARM BILL: FARM PROGRAMS — CORN



Sources: USDA NASS (actual) and OCE (projections)

- ✓ USDA Chief Economist forecast;
- ✓ MYA expected above Reference Price (\$3.70) thru 2026;
- ✓ Effective reference price “escalator” (85% of 5 year Olympic moving average) not effective.

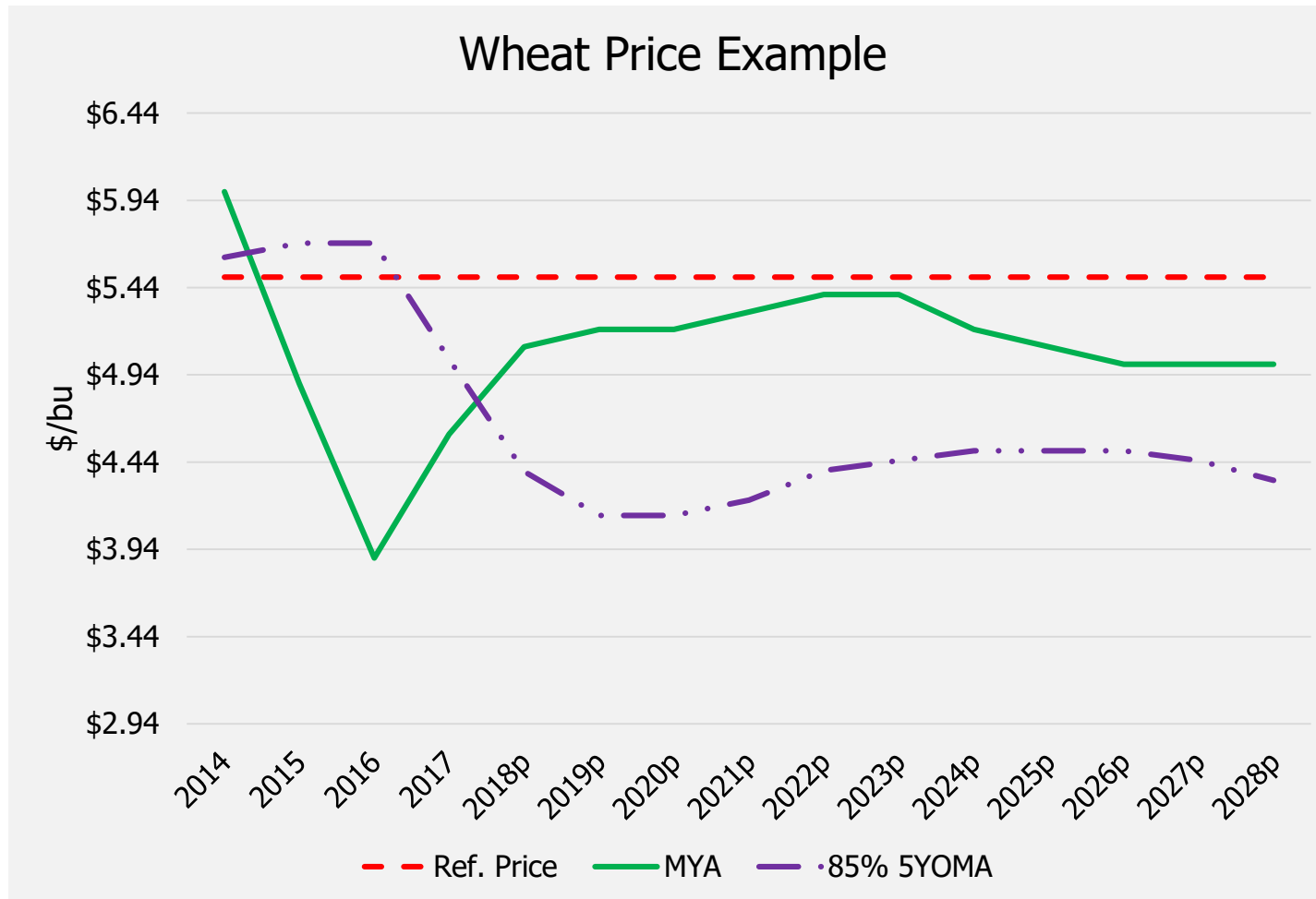
2018 FARM BILL: FARM PROGRAMS — SOYBEANS



- ✓ USDA Chief Economist forecast;
- ✓ MYA expected above Reference Price (\$8.40) all years;
- ✓ Effective reference price “escalator” (85% of 5 year Olympic moving average) not effective.

Sources: USDA NASS (actual) and OCE (projections)

2018 FARM BILL: FARM PROGRAMS — WHEAT



Sources: USDA NASS (actual) and OCE (projections)

- USDA Chief Economist forecast;
- MYA expected to remain below Reference Price (\$5.50);
- Effective reference price "escalator+ (85% of 5 year Olympic moving average) not effective.



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Gardner Agriculture Policy Program and National Center for Supercomputing Applications.

2018 FARM BILL: ARC/PLC SIMULATION

[FARMDOC TOOL](#)

THANK YOU

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