

Updated Perspectives on the Pandemic and Policy Responses



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farmdoc



Jonathan Coppess



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Has the Federal government response for agriculture been

- About right given the circumstances
- Too little
- Too much

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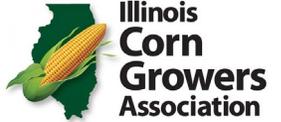
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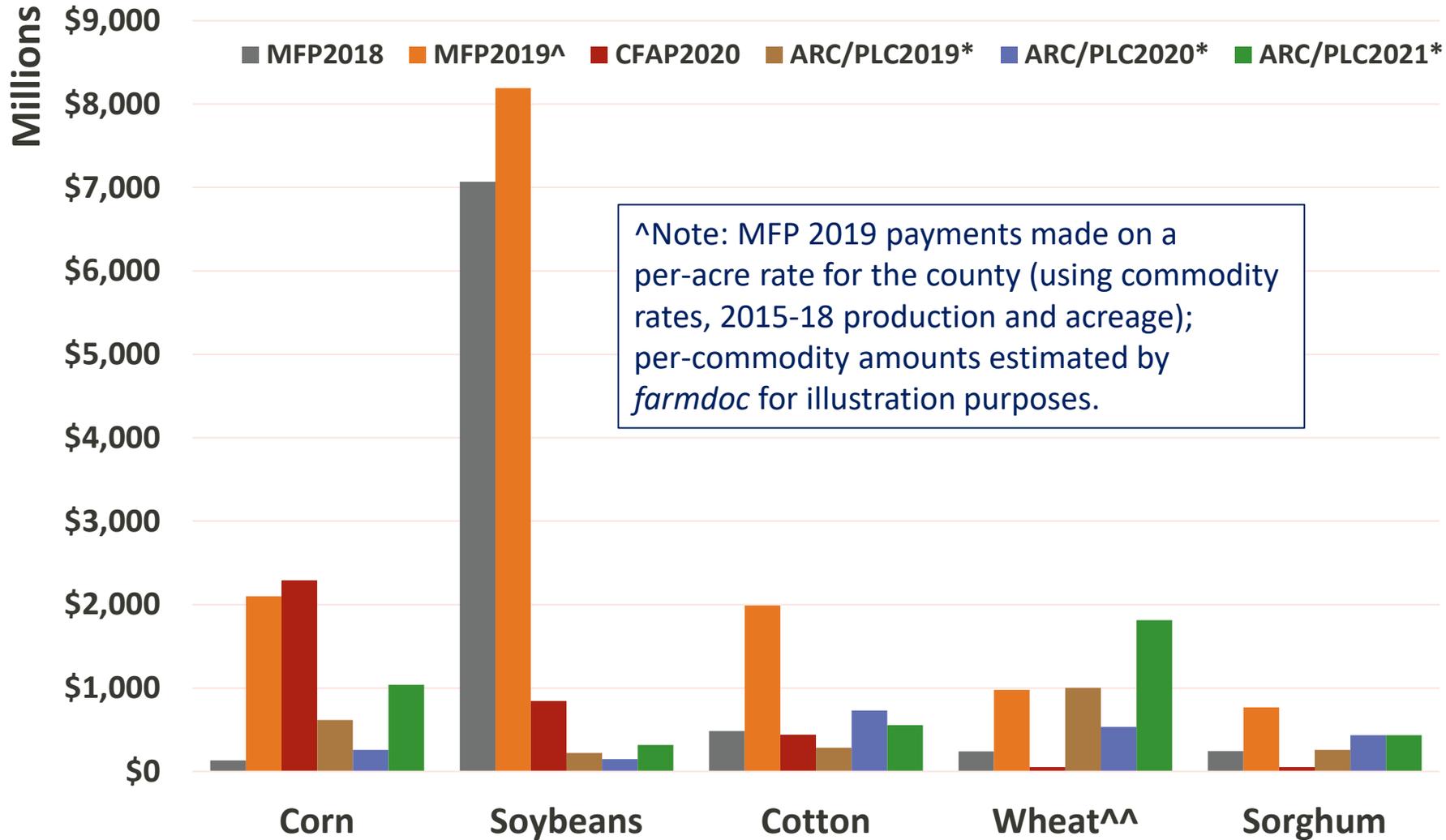
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Policy Responses: Payments & More Payments.



USDA/CCC

2018 MFP = \$8.59b

2019 MFP = \$14.456b

CFAP = \$3.7b

Farm Bill: ARC/PLC

2017 crop = \$2.4b

2018 crop = \$2.1b

2019 crop = \$4.2b

CFAP Overview

Application period opens May 26th; ends August 28th

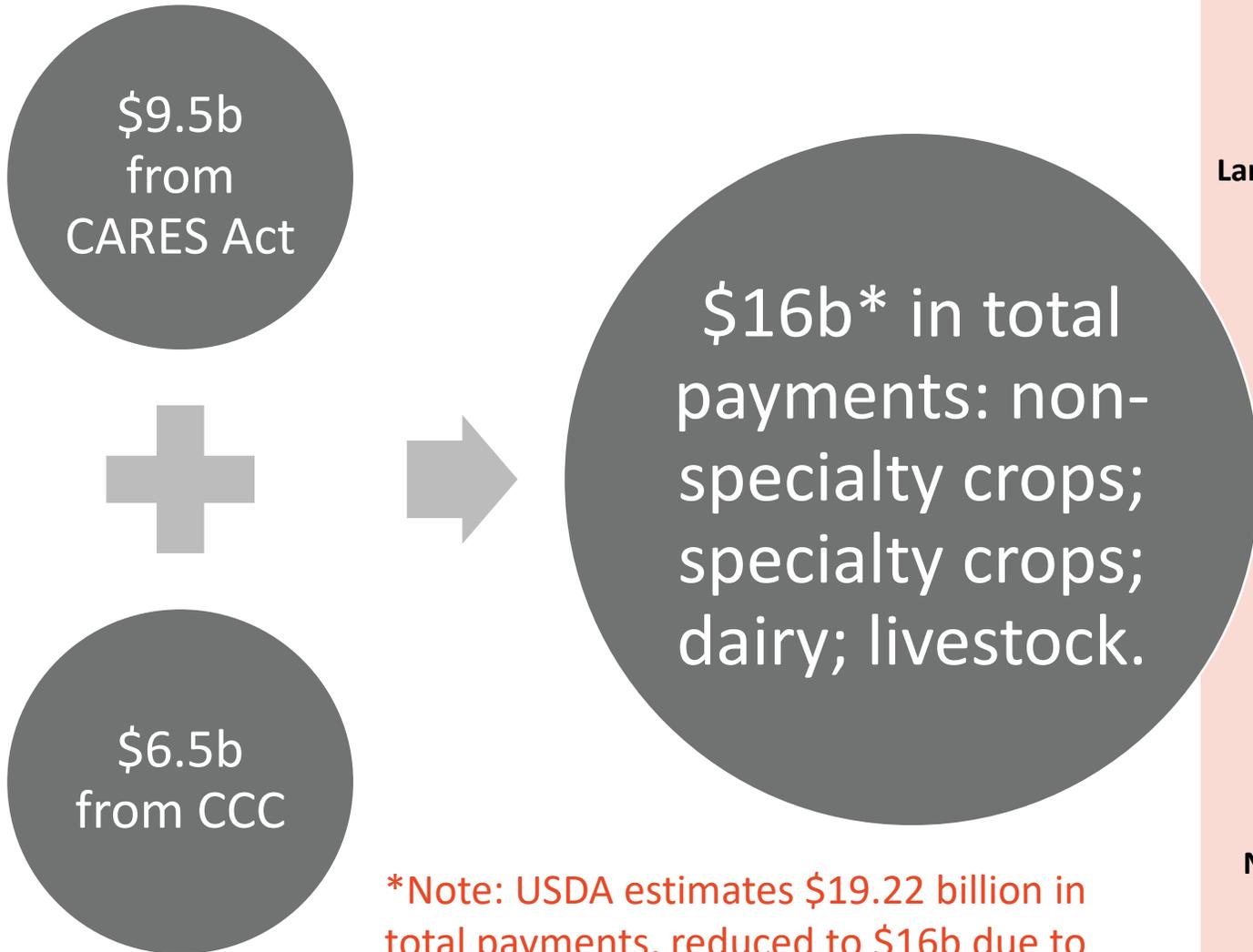
\$250,000 per person/entity payment limit

\$900,000 Adjusted Gross Income (AGI) eligibility test
average of 2016, 2017, and 2018 tax years

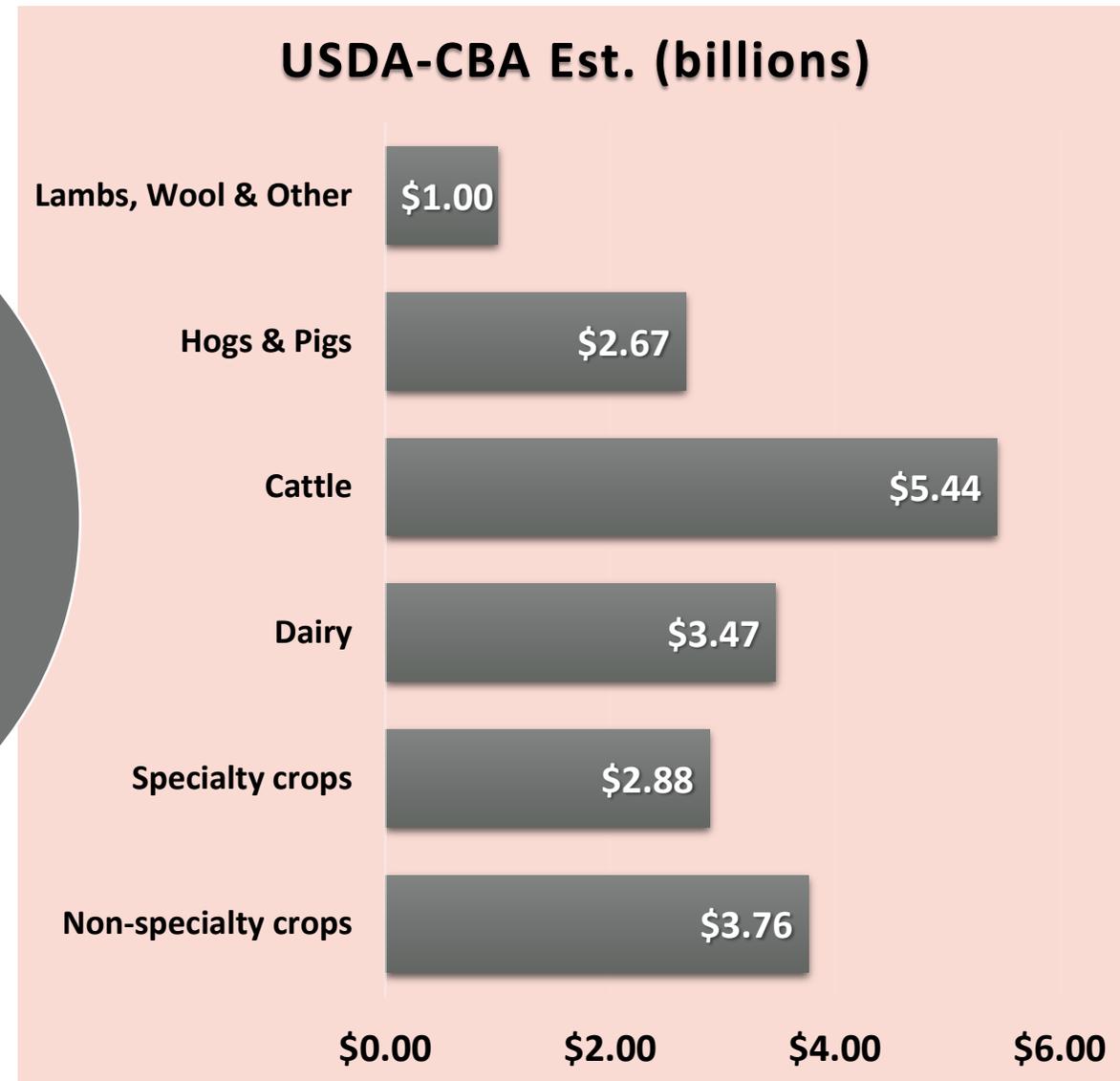
Payments

- Single CFAP payment per commodity
 - CARES Act Funds
 - CCC Funds
- CFAP payment paid in two installments
 - 80% in first installment
 - 20% in second installment, pending funding availability

CFAP: Overview of Funding Sources

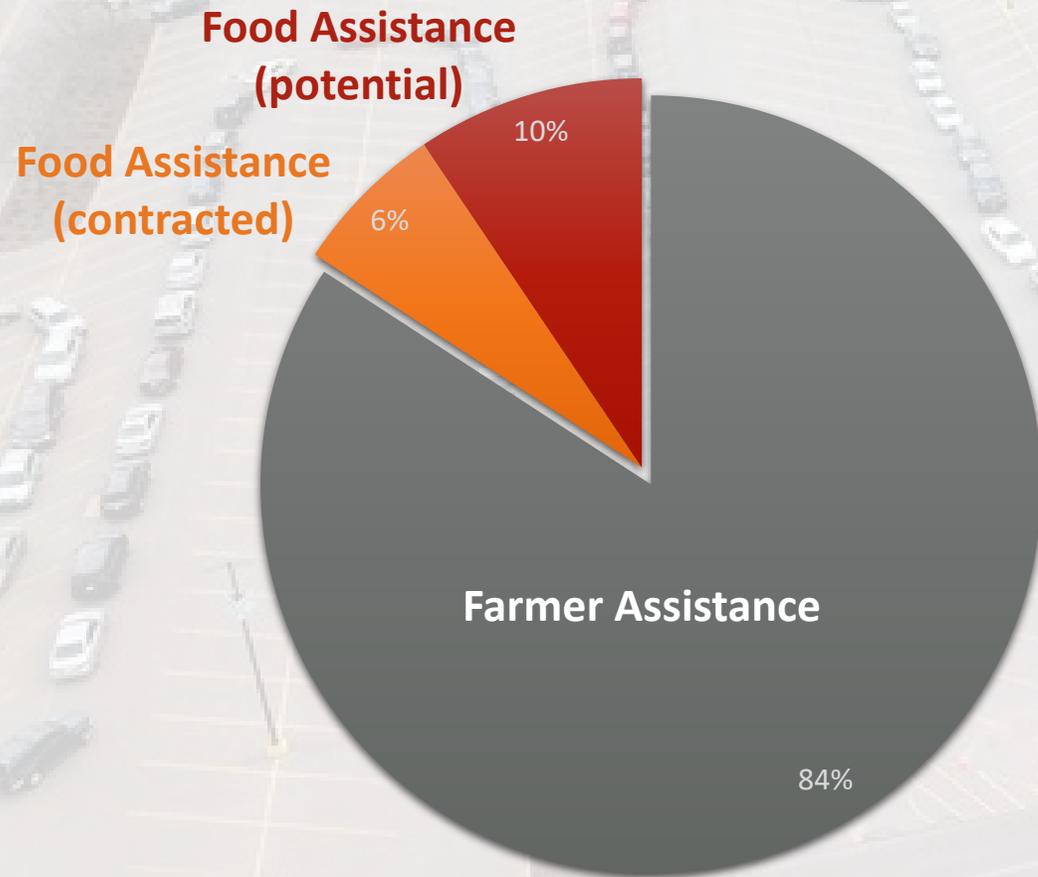


*Note: USDA estimates \$19.22 billion in total payments, reduced to \$16b due to payment limits; two tranches (80%/20%).

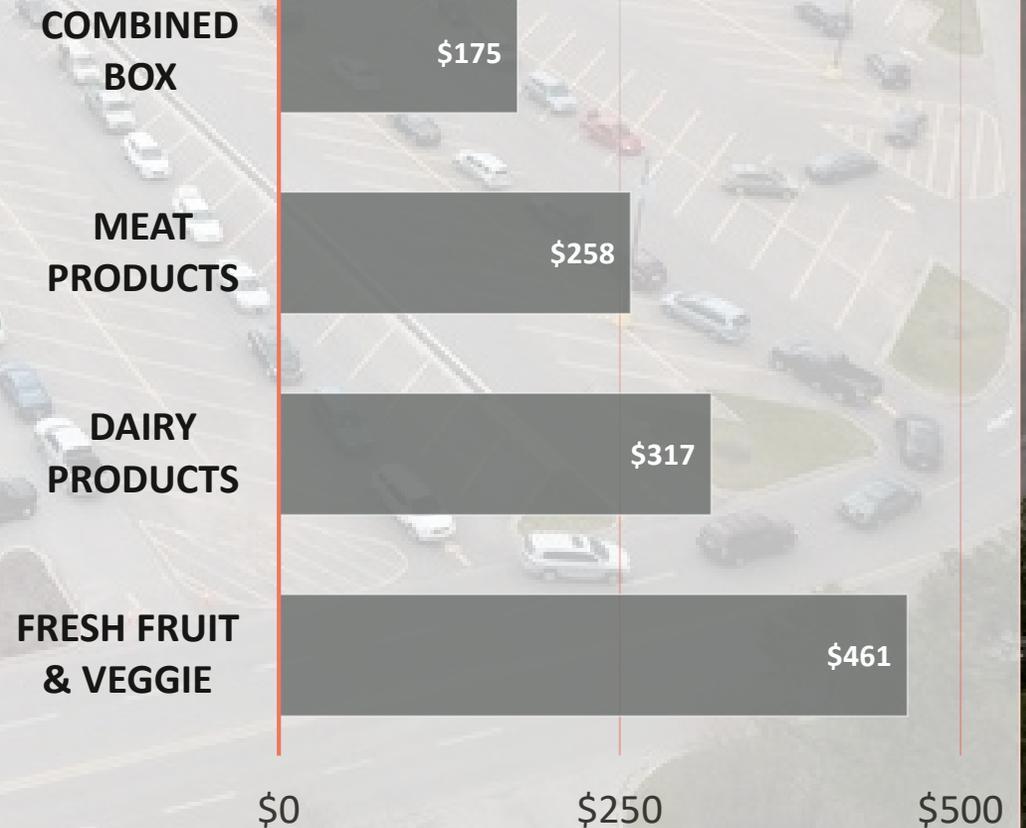


Food Purchase & Distribution

CFAP Total Assistance as Announced



Amount to be purchased (Millions)



Should recent ARC/PLC decisions be re-opened

- No, let the decisions remain as stands
- Allow changes to be made and make them applicable to both years
- Allow 2020 decisions to be changed
- Give farmers the higher of ARC-CO and PLC in 2020

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CFAP: Payments for *Eligible Inventory*

Eligible Inventory

The lower of:

- (1) self-certified *unpriced inventory*; vested ownership as of January 15, 2020; or
- (2) 50% of 2019 production

Unpriced Inventory

“any production that is not subject to an agreed-upon price in the future through a forward contract, agreement or similar binding document”
(Final Rule, at 30831).

Subject to price risk

“any production, sales, and inventory that is not subject to an agreed-upon price in the future through a forward contract, agreement or similar binding document” and “must still be at risk of price fluctuations after January 15, 2020, to be eligible” (FSA Notice)

CFAP Payment Rates – Non-Specialty Crops

Crop	Unit	CARES Act	CCC	Average ¹
		Payment Rate (\$/unit)	Payment Rate (\$/unit)	Payment Rate (\$/unit)
Corn	bu	\$0.32	\$0.35	\$0.335
Soybeans	bu	\$0.45	\$0.50	\$0.475
Barley (malting)	bu	\$0.34	\$0.37	\$0.355
Canola	lb	\$0.01	\$0.01	\$0.010
Durum Wheat	bu	\$0.19	\$0.20	\$0.195
Hard Red Spring Wheat	bu	\$0.18	\$0.20	\$0.190
Millet	bu	\$0.31	\$0.34	\$0.325
Oats	bu	\$0.15	\$0.17	\$0.160
Sorghum	bu	\$0.30	\$0.32	\$0.310
Sunflowers	lb	\$0.02	\$0.02	\$0.020
Upland Cotton	lb	\$0.09	\$0.10	\$0.095

¹Sum of the CARES Act and CCC Payment Rates multiplied by 50%, or the simple average of the CARES Act and CCC Payment Rates.

CFAP Payment Example #1 for Corn

Farmer Info

2019 Production

Acres 1,000

Yield 200

Total Bushels 200,000

50% of Production 100,000

1/15/20 Unpriced Inventory 130,000

FSA Payment Calculation

Eligible Inventories 100,000

x \$0.335

CFAP Payment \$33,500

Installment 1 \$26,800

Installment 2* \$6,700

*Pending funding availability

CFAP Payment Example #2 for Corn

Farmer Info

2019 Production

Acres 1,000

Yield 200

Total Bushels 200,000

50% of Production 100,000

1/15/20 Unpriced Inventory 80,000

FSA Payment Calculation

Eligible Inventories 80,000

x \$0.335

CFAP Payment \$26,800

Installment 1 \$21,440

Installment 2* \$5,360

*Pending funding availability

CFAP Payment Rates – Livestock and Dairy

- Cattle and Hogs

- CARES Act payment rate for sales from January 15th to April 15th
- CCC payment rate for largest inventory from April 16th to May 14th

- Dairy

- CARES Act payment rate on production from first quarter of calendar year 2020
- CCC payment rate on 1.014 x production from first quarter of calendar year 2020

Table 2. Selected Livestock and Dairy Payment Rates for the CFAP

Livestock Type	Unit	CARES Act	CCC
		Payment Rate (\$/unit)	Payment Rate (\$/unit)
Slaughter Cattle (mature) ¹	head	\$92	\$33
Slaughter Cattle (fed) ²	head	\$214	\$33
Feeder Cattle (< 600 lbs)	head	\$102	\$33
Feeder Cattle (> 600 lbs) ³	head	\$139	\$33
All Other Cattle ⁴	head	\$102	\$33
Pigs (< 120 lbs)	head	\$28	\$17
Hogs (> 120 lbs)	head	\$18	\$17
Dairy	cwt	\$4.71	\$1.47

¹Culled cattle raised or maintained for breeding purposes, but removed from inventory and raised for slaughter.

²Cattle with an average weight exceeding 1,400 lbs, yielding average carcass weights exceeding 800 lbs, intended for slaughter.

³Cattle weighing more than 600 lbs but less than the weight of slaughter cattle (fed).

⁴Commercially raised or maintained bovine animals not meeting definitions of other cattle categories, excluding beefalo, bison and animals used for dairy production.

CFAP Payment Example for Livestock

Farmer provides:

sales information from
Jan 15th to Apr 15th

inventory information from
Apr 16th to May 14th

Sales from Jan 15th to Apr 15th

Slaughter Cattle (fed)	500
x \$214/head	
CARES Act payment	\$107,000

Largest Inventory from Apr 16th to May 14th

Cattle (all types)	250
x \$33/head	
CCC payment	\$8,250

CFAP Payment	\$115,250
Installment 1	\$92,200
Installment 2*	\$23,050

CFAP Other Resources

farmdoc daily article for Friday May 22, 2020
<https://farmdocdaily.illinois.edu/2020/05/coronavirus-food-assistance-program-cfap-rules-announced.html>

Gardner Policy Series

Coronavirus Food Assistance Program (CFAP) Rules Announced

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May 22, 2020

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On Wednesday May 20th, the USDA released more information on the Coronavirus Food Assistance Program (CFAP). In today's article we provide a broad overview of the CFAP and how payments will be determined for the major eligible non-specialty crops, livestock, and dairy. Applications for CFAP payments open May 26th and close August 28th with additional information and forms available from USDA at <https://www.farmers.gov/cfap>.

While payment calculations may seem fairly complicated, farmers should focus on the information they will need to provide to process their CFAP applications. For non-specialty crops required information includes total 2019 production and unpriced inventories as of January 15th. For cattle and hog producers, information on total head of sales from January 15th to April 15th, and maximum animal inventories from April 16th to May 14th will be needed. For dairy producers, total milk production during the first quarter of 2020 will be required to process payments.

CFAP Payment Calculations and Examples

The following description is based on the text in the [CFAP final rulemaking](#). For non-specialty crops and livestock, farmers will ultimately receive two installments of a single CFAP payment. Farmers will receive 80% of the CFAP payment as a first installment. The second 20% of the CFAP payment will be made if sufficient funds are available based on a total allocation of \$16 billion for CFAP direct payments (\$9.5 billion from funds provided in the CARES Act and \$6.5 billion from the remaining available Commodity Credit Corporation (CCC) funds).

The total CFAP payment is based on two separate rates from the different funding sources. This is largely for administrative purposes due to the fact that the funds for payments are coming from two different sources. For farmers, the source of the funds received in their overall payment likely has no significance.

Non-specialty Crop Payments Including Corn and Soybeans

CFAP payments for non-specialty crops are made on eligible inventory for each eligible commodity. Eligible inventories are defined as the lower of:



Coronavirus Food Assistance Program

Are you a farmer or rancher whose operation has been directly impacted by the coronavirus pandemic? The Coronavirus Food Assistance Program will provide direct relief to producers who faced price declines and additional marketing costs due to COVID-19.

About the Coronavirus Food Assistance Program

USDA Secretary Sonny Perdue announced the Coronavirus Food Assistance program on April 17, 2020. CFAP will use funding and authorities provided in the Coronavirus Aid, Relief, and Economic Security Act, the Families First Coronavirus Response Act, and other USDA existing authorities. This \$19 billion immediate relief program includes direct support to agricultural producers as well as the [Farmers to Families Food Box Program](#).

CFAP will provide vital financial assistance to producers of agricultural commodities who have suffered a five-percent-or-greater price decline or who had losses due to market supply chain disruptions due to COVID-19 and face additional significant market costs. Eligible commodities include:

- **Non-specialty Crops:** malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat
- **Wool**
- **Livestock:** cattle, hogs, and sheep (lambs and yearlings only)
- **Dairy**
- **Specialty Crops**

www.farmers.gov/cfap

Would you change ARC and PLC Decision Post-COVID?

- Lower prices increase chance and potential size of PLC and ARC payments
 - PLC for corn and ARC-CO for soybeans still results in largest *expected* payments for majority
 - ARC-CO for corn may now look better for 2019 in some counties
 - ARC-IC still competitive, particularly on 2019 prevent plant farms
 - Large, known ARC-IC payment for 2019, but little/none likely in 2020
 - vs.
 - *Potentially* larger payment from PLC/ARC-CO in 2020

Thoughts on ARC/PLC

- Allow different decisions for 2019 and 2020
- Give the highest payment between PLC and ARC-CO in 2020
- As of now nothing has changed, and ARC/PLC decision is in place

Weekly Farm Economics

Would Commodity Title Choices Change Given COVID-19?

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May 19, 2020

farmdoc daily (10):92

Recommended citation format: Schnitkey, G., K. Swanson, N. Paulson, J. Coppess and C. Zulauf. "Would Commodity Title Choices Change Given COVID-19?" *farmdoc daily* (10):92, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, May 19, 2020.
[Permalink](#)

The Coronavirus pandemic and COVID-19 control measures have resulted in dramatically lower commodity prices, leading to questions about whether commodity program selections would be different after COVID-19. Herein we present an analysis of Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) payments pre and post-COVID 19. The analysis suggests that for the majority of situations where PLC for corn and ARC at the county level (ARC-CO) for soybeans were expected to trigger larger payments prior to COVID-19, those choices would continue to result in the largest expected payments in the current post-COVID environment. In areas where ARC-CO for corn was elected based on pre-COVID price expectations, current prices might suggest a different program choice. For situations where ARC at the Individual level (ARC-IC) was chosen, the impacts of COVID-19 may have resulted in larger expected payments from an alternative program but will be dependent on farm specific variables. Policy alternatives are presented in the final section.

Background

By March 15, farmers chose between three programs for receiving commodity title payments: Price Loss Coverage (PLC), Agricultural Risk Coverage at the County Level (ARC-CO), and ARC at the Individual level (ARC-IC). Those decisions applied to both 2019 and 2020. A decision to use ARC-IC was applicable to the entire Farm Service Agency (FSA) farm. If ARC-IC was not chosen, farmers could make a choice by program crop. For example, PLC could have been chosen for corn, and ARC-CO could have been chosen for soybeans.

Recently, the Farm Service Agency (FSA) released data on program choices on a national basis (see *farmdoc daily*, [April 30, 2020](#)):

- 75% of base acres in corn were enrolled in PLC,
- 80% of base acres in soybeans were enrolled in ARC-CO,
- 93% of base acres in wheat were enrolled in PLC.

Have you changed production decision as a result of COVID-1

- I have switched to more soybean
- I have switched to more corn
- I have reduced inputs
- No changes to production decisions

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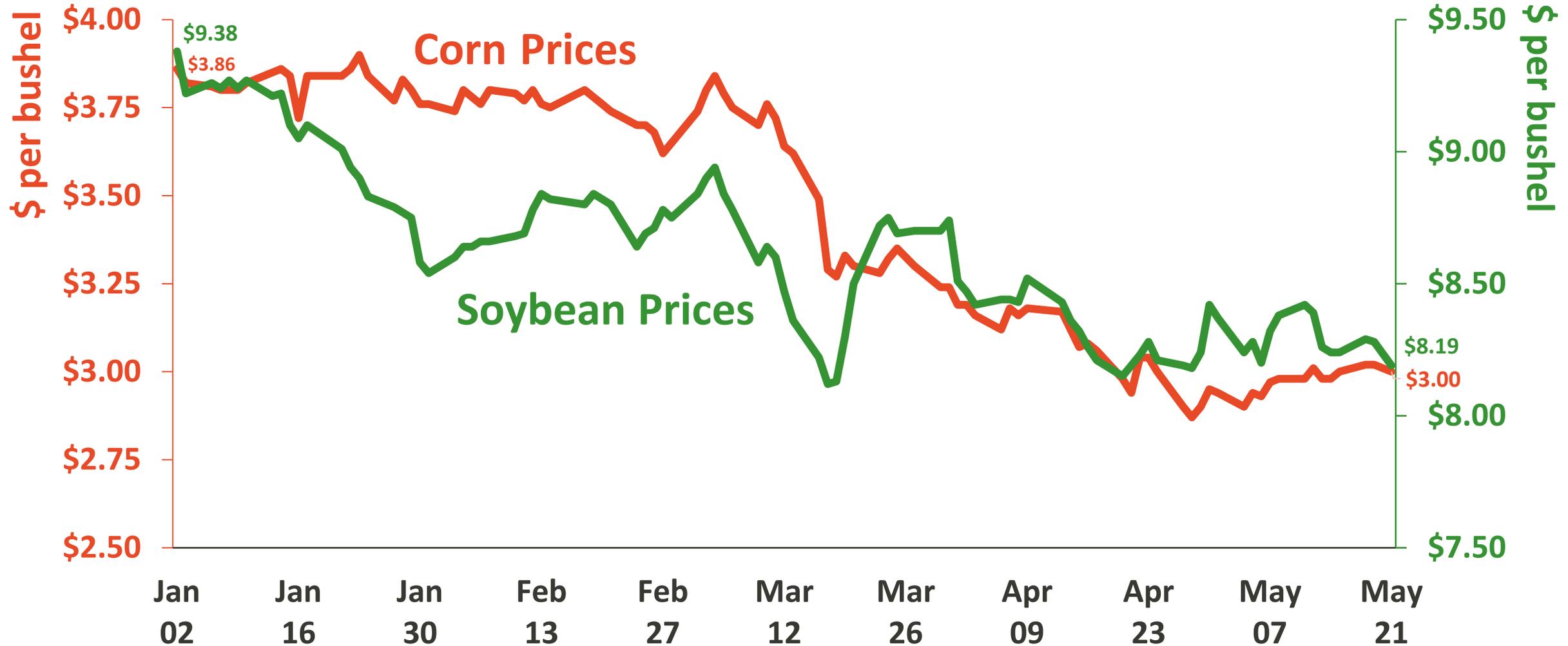
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Central Illinois Cash Corn and Soybean Prices

January 2, 2020 to May 22, 2020



Estimates of Market Year Average Prices

Market Year Average

	2016	2017	2018	2019P	2020P	2021P
CORN						
Pre-COVID	3.36	3.36	3.61	3.85	3.70	3.60
Post-COVID				3.50	3.20	3.40
SOYBEANS						
Pre-COVID	9.47	9.33	8.48	8.75	8.50	8.70
Post-COVID				8.50	8.15	8.30

2019 Central Illinois, High-Productivity Budgets

	Pre-COVID	Post-Covid	Pre-COVID	Post-Covid
Yield per acre	208	208	64	64
Price per bu	\$3.85	\$3.55	\$8.80	\$8.55
Crop revenue	801	738	563	547
ARC/PLC	10	10	10	10
MFP	82	82	82	82
CFAP- 1st Payment		28		12
CFAP- 2nd Payment		7		3
Crop insurance	10	10	10	10
Gross revenue	903	875	665	664
Total non-land costs	606	606	372	372
Operator and land return	297	269	293	292
Cash rent	275	275	275	275
Farmer return	22	-6	18	17

Assumes maximum payment of CFAP, and average impact on price

Note that the 2nd CFAP payment is not guaranteed

Less income

(farmer return with 50% corn, 50% soybeans)

\$20 farmer return pre-COVID

\$6 farmer return post-COVID

Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208	215	75	64	68
Price per bu	\$3.60	\$3.55	\$3.25	\$9.36	\$8.55	\$8.20
Crop revenue	853	738	699	702	547	558
ARC/PLC	0	10	30	0	10	30
MFP	1	82	0	122	82	0
CFAP		35	80	0	15	80
Crop insurance	2	10	0	2	10	0
Gross revenue	856	875	809	826	664	668
Total non-land costs	574	606	571	353	372	359
Operator and land return	282	269	238	473	292	309
Cash rent	274	275	275	274	275	275
Farmer return	8	-6	-37	199	17	34

Built in \$80 of “CFAP” payments for 2020 crop.

My projection.

No guarantee, Nothing formal

With \$80 CFAP, farmer return for 50% corn – 50% soybeans is

\$104 per acre in 2018

\$6 per acre in 2019

-\$2 per acre in 2020

Those return with \$100 per acre in CFAP in 2020

Do you believe the Federal government do another CFAP or MFP program in 2021 if corn prices are near \$3.00 and soybean prices are near \$8.00

- Yes, payments should be over \$50 per acre
- Yes, payments should be less than \$50 per acre
- No

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Added 2021 Budgets (no MFP or CFAP)

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	215	217	75	64	68	68
Price per bu	\$3.60	\$3.55	\$3.25	\$3.40	\$9.36	\$8.55	\$8.20	\$8.30
Crop revenue	853	738	699	738	702	547	558	564
ARC/PLC	0	10	35	30	0	10	35	30
MFP	1	82	0	0	122	82	0	0
CFAP		20	80	0	0	20	80	0
Crop insurance	2	10	0	0	2	10	0	0
Gross revenue	856	860	814	768	826	669	673	594
Total non-land costs	574	606	571	571	353	372	359	359
Operator and land return	282	254	243	197	473	297	314	235
Cash rent	274	275	275	275	274	275	275	275
Farmer return	8	-21	-32	-78	199	22	39	-40

Farmer return with no additional aid in 2020;

\$104 per acre in 2018

\$6 per acre in 2019

-\$2 per acre in 2020

-\$59 per acre in 2021

Cash Rents for 2021

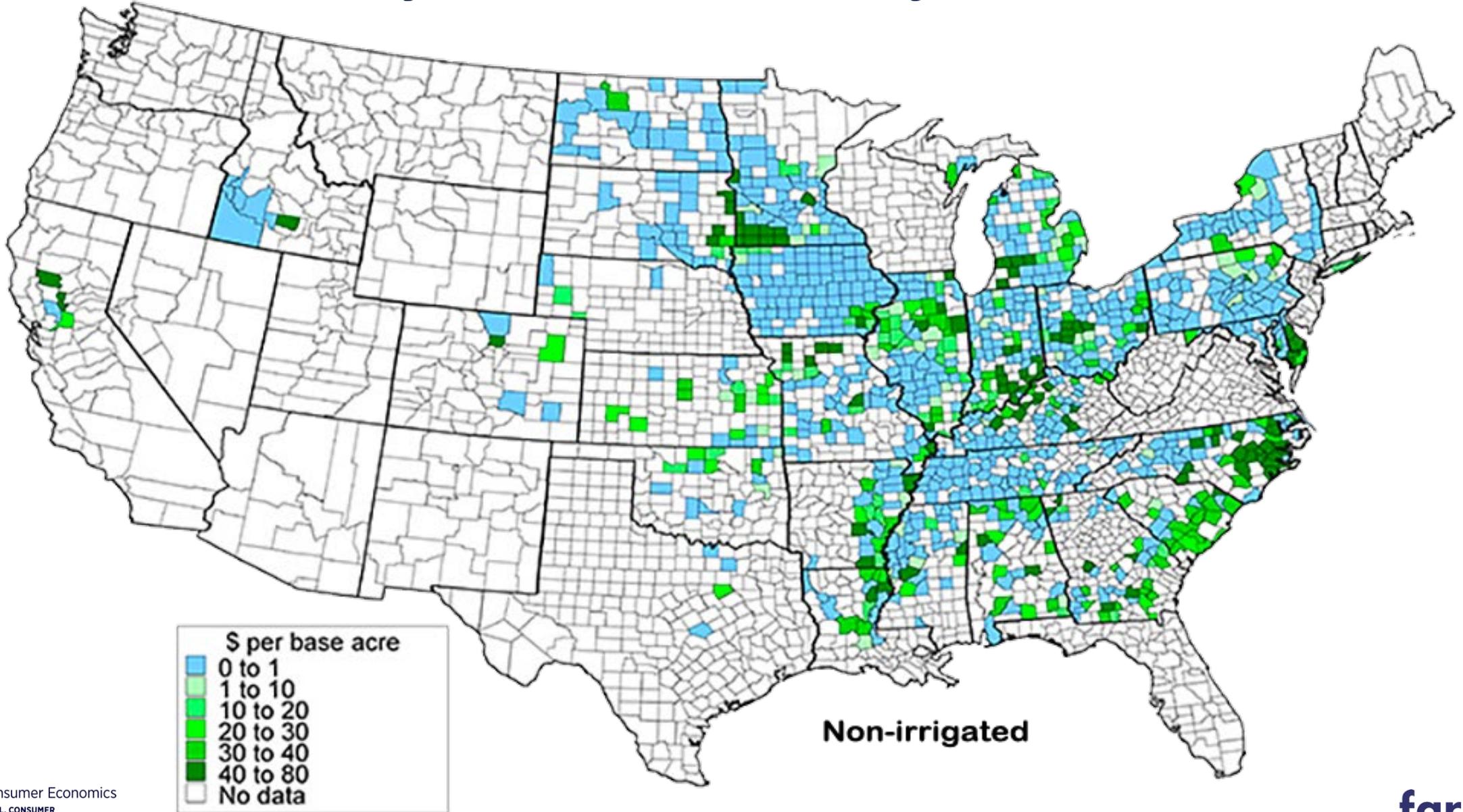
- **Be very careful in setting 2021 cash rents**
Consider that there may not be MFP, CFAP payments in 2021
- **Evaluate price prospects at the end of the summer**
If futures markets suggesting low \$3 and low \$8 soybeans cash prices for 2021, lower cash rents or use a variable cash rent
- **If use a cash rent**
Build clause in for cash rent levels with and without additional MFP and CFAP payments in 2021

Advice

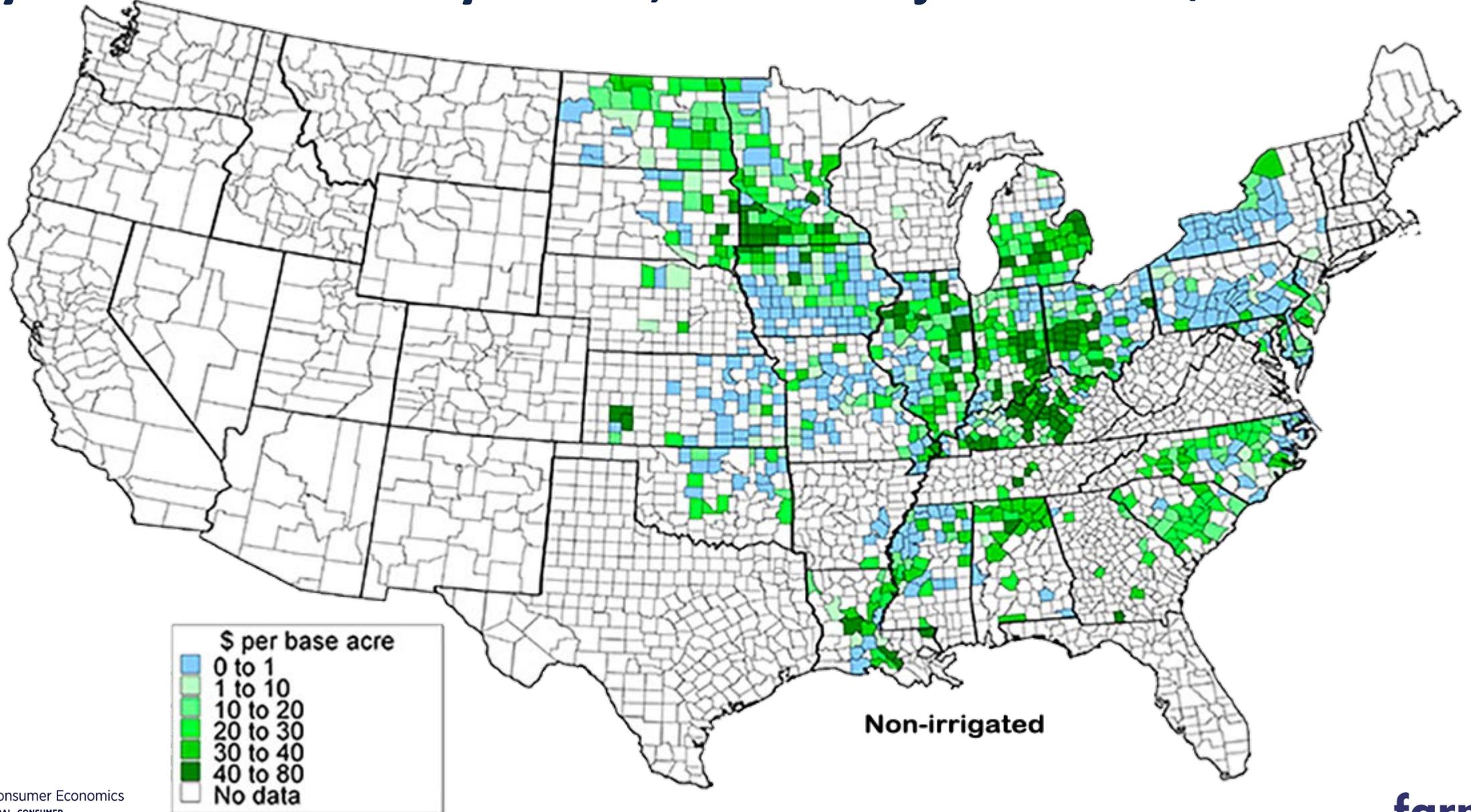
With additional government aid (more than currently announced Coronavirus Food Assistance Program), most crop farms will be “ok” (not great, not without financial losses) at the end of 2020. 2021 is the question

- **Consider planting soybeans on “switchable” acres**
- **Consider the PPP and EIDL program, conserve all working capital**
- **Start marketing remaining 2019 crop**
- **Adjust 2020 crop marketing goals to lower prices**
- **Danger point: Setting cash rents for 2021**

Corn ARC-CO Payments, 2019 Projection at \$3.50 Price



Soybean ARC-CO Payments, 2019 Projection at \$3.50 Price



ARC-CO and PLC Payments, Champaign County, Illinois, \$ per Base Acre

	2019			2020			2019 - 2020 Average	
	MYA \$/bu	ARC-CO \$/acre	PLC \$/acre	MYA \$/bu	ARC-CO \$/acre	PLC \$/acre	ARC-CO \$/acre	PLC \$/acre
Panel A: Corn								
Pre-COVID	\$3.85	\$0.00	\$0.00	\$3.70	\$0.00	\$0.00	\$0.00	\$0.00
Post-COVID	\$3.50	\$18.34	\$30.00	\$3.20	\$0.00	\$74.90	\$9.17	\$52.45
Panel B: Soybeans								
Pre-COVID	\$8.75	\$55.55	\$0.00	\$8.80	\$0.00	\$0.00	\$27.78	\$0.00
Post-COVID	\$8.50	\$55.55	\$0.00	\$8.20	\$0.00	\$9.20	\$27.78	\$4.60

Average 2019-2020 Payment Given PLC for corn and ARC-CO for soybeans

	<u>\$/acre</u>
Pre-COVID	\$13.89
Post-COVID	\$40.11

ARC-CO and PLC Payments, **Iroquois County**, Illinois, \$ per Base Acre

	2019			2020			2019 - 2020 Average	
	MYA \$/bu	ARC-CO \$/acre	PLC \$/acre	MYA \$/bu	ARC-CO \$/acre	PLC \$/acre	ARC-CO \$/acre	PLC \$/acre
Panel A: Corn								
Pre-COVID	\$3.85	\$0.00	\$0.00	\$3.70	\$0.00	\$0.00	\$0.00	\$0.00
Post-COVID	\$3.50	\$36.84	\$30.00	\$3.20	\$0.00	\$75.10	\$18.42	\$52.55
Panel B: Soybeans								
Pre-COVID	\$8.75	\$16.94	\$0.00	\$8.80	\$0.00	\$0.00	\$8.47	\$0.00
Post-COVID	\$8.50	\$29.17	\$0.00	\$8.20	\$0.00	\$8.70	\$14.59	\$4.35

Average 2019-2020 Payment Given PLC for corn and ARC-CO for soybeans

	<u>\$/acre</u>
Pre-COVID	\$4.24
Post-COVID	\$33.57

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May 29, 2020 Friday from 9 to 10am CT

Summary of 2019 FBFM Income and Expense Estimates for Illinois Farms

The 2019 growing season was a challenge for Illinois farmers. This webinar will focus on the financial results for 2019 from data from the Illinois Farm Business Farm Management (FBFM) Association. Attendees will learn about 2019 farm income and returns, cost of production and how the challenges of 2019 affected the financial position of Illinois farmers.

Thank You for joining us!

Please submit your questions

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