

# 2024 Illinois Farm Economics Summit

## Farm Policy: Current State & A Look Ahead.



Gardner  
Agriculture  
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Program

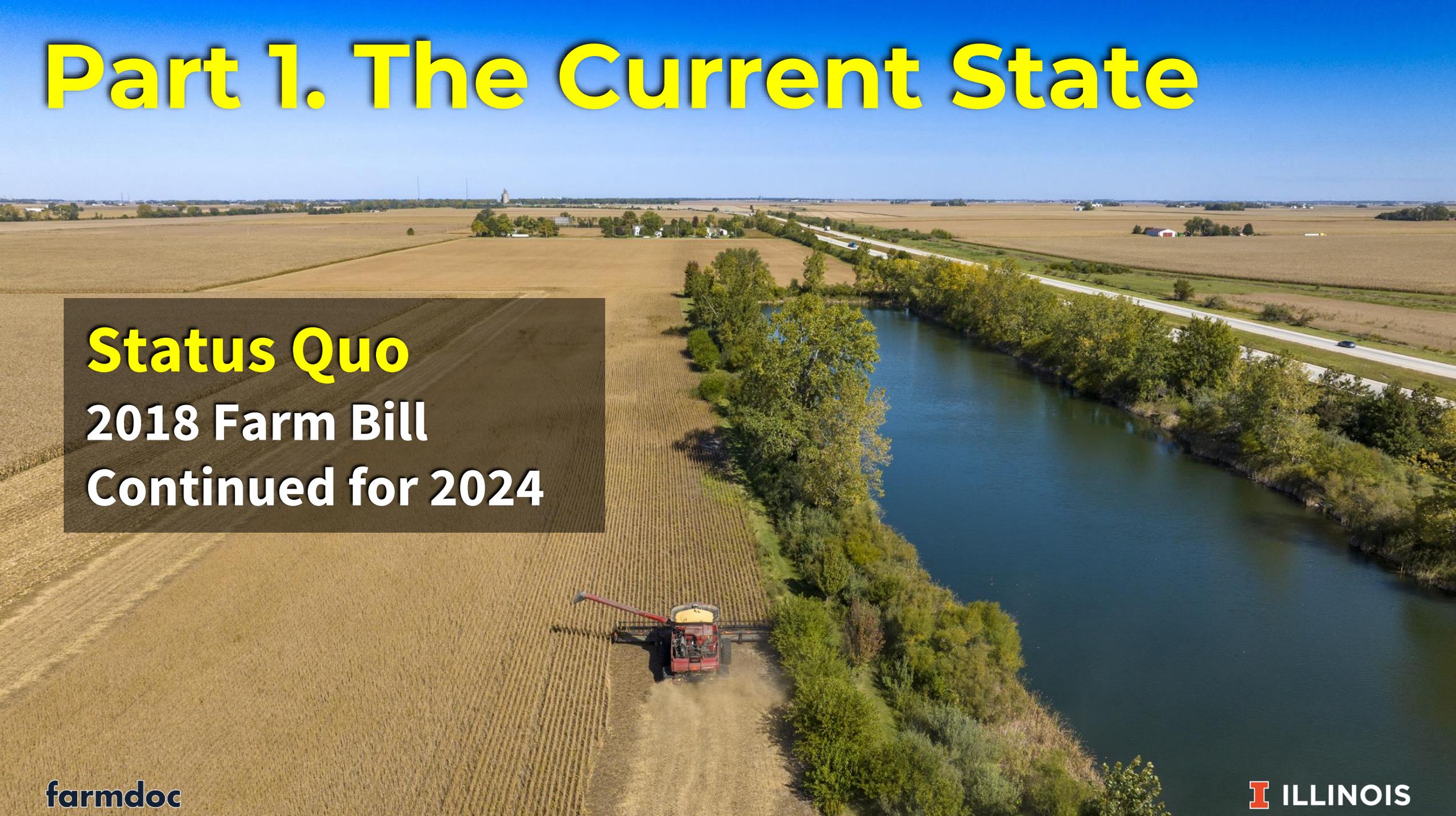


Jonathan Coppess



Nick Paulson

# Part 1. The Current State

An aerial photograph of a rural landscape. In the foreground, a red combine harvester is working in a field of golden-brown crops, kicking up a trail of dust. To the right of the field is a lush green tree-lined bank next to a calm river. A paved road with a few cars runs parallel to the river. The background shows more agricultural fields under a clear blue sky.

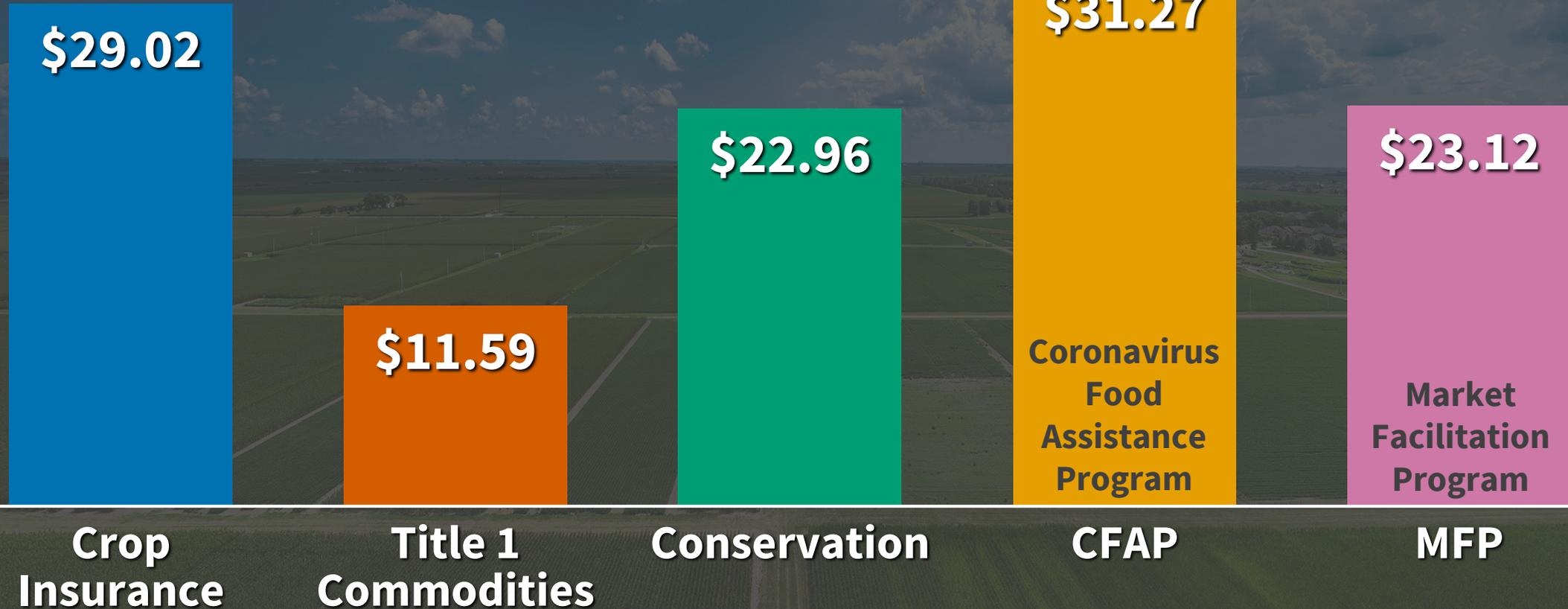
**Status Quo**

**2018 Farm Bill**

**Continued for 2024**

# An Unusual Farm Bill Experience...

## Total Spending 2018 to 2022 in Billion Dollars



# Farm Policy: Available Funds

Total Spending Available FY2024 to FY20233 (CBO May 2023)



# 2018 Farm Bill Continued for 2024.

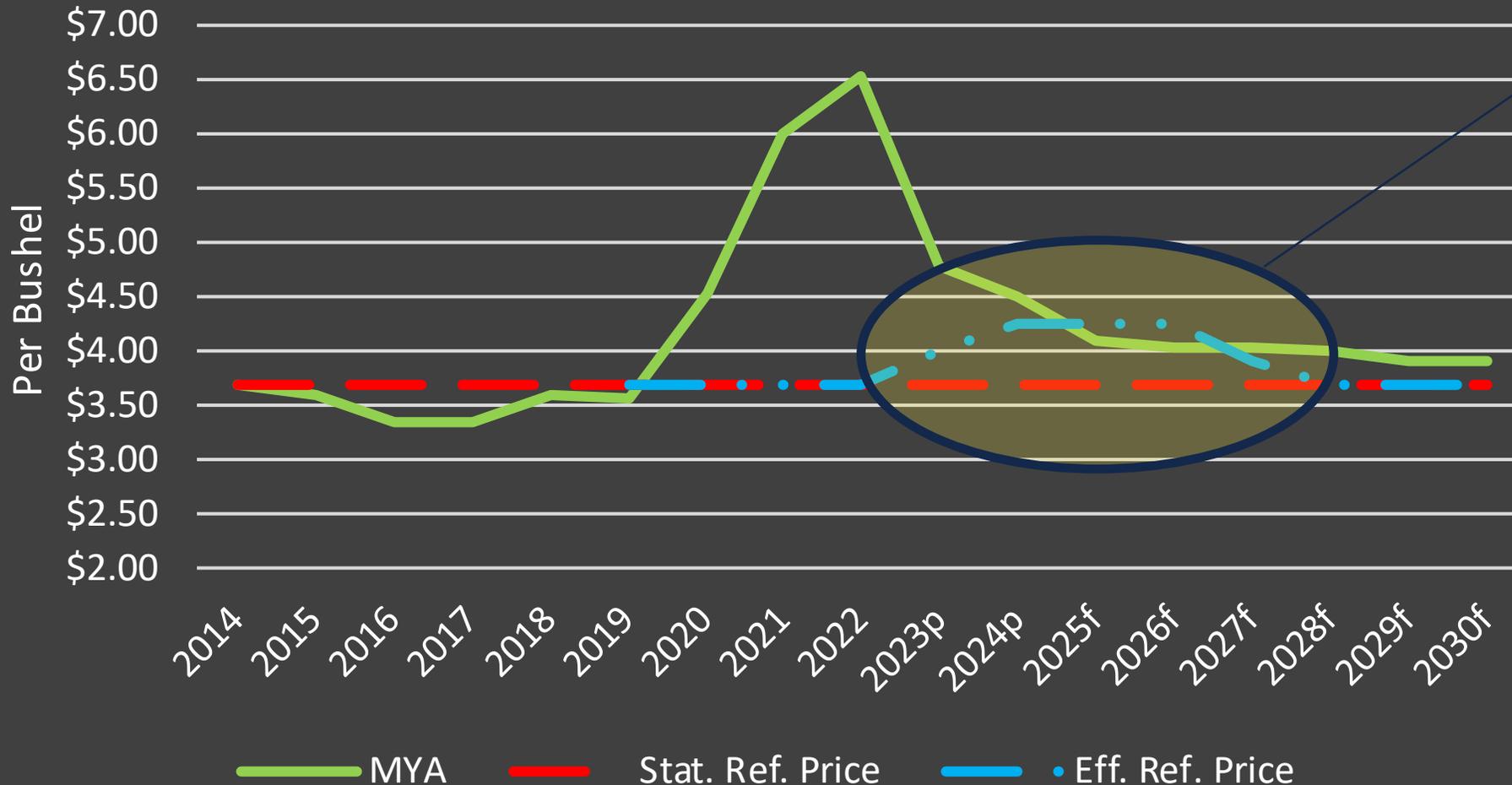
- ✓ Enroll base acres in either Agriculture Risk Coverage (ARC) or Price Loss Coverage (March 15<sup>th</sup>) for 2024 crop year; payments in October 2025 (if triggered).
- ✓ ARC offers two options: ARC-CO, county level average yields (crop-by-crop decision) or ARC-IC, individual whole farm yields (all program crops must be enrolled).
- ✓ With PLC (only): can also purchase Supplemental Coverage Option (SCO), crop insurance policy.

# Refresher: Price Loss Coverage (PLC).

- Traditional fixed-price program; in operation since 1973 (except 1996-2001).
- Statutory Reference Prices (\$3.70, corn; \$8.40, soybeans; \$5.50, wheat); if Marketing Year Average (MYA) prices are lower, payments on the difference (deficiency \* program yield \* 85% of base).
- 2018: added “effective reference price” → 85% of the 5-year Olympic moving average MYA can increase (up to 115% of statutory reference price).

# Expectations: PLC; Corn.

## Corn: PLC Example

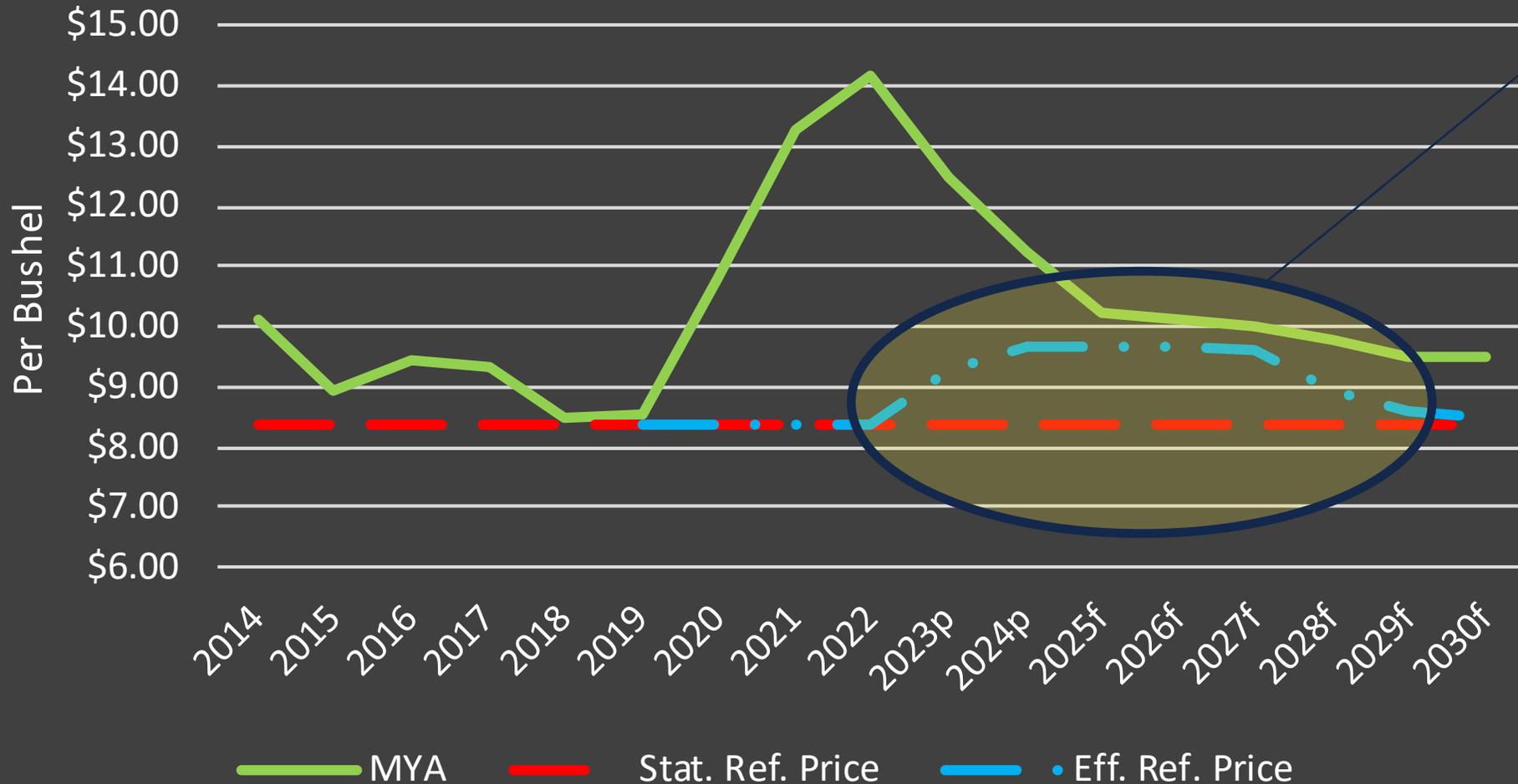


### For corn:

- ✓ recent high prices will increase effective reference price: **\$4.01 in 2024.**
- ✓ CBO projects reaching max of \$4.26 in 2025 and 2026.
- ✓ Projections from CBO May 2023 Baseline.

# Expectations: PLC; Soybeans.

## Soybeans: PLC Example



### For soybeans:

- ✓ recent high prices will increase effective reference price to: **\$9.26 in 2024.**
- ✓ CBO projects will hit max \$9.66 in 2025-2028.
- ✓ Projections from CBO May 2023 Baseline.

# Refresher: Ag Risk Coverage (ARC)

- Revenue-based program introduced in the 2014 Farm Bill
  - County (ARC-CO) and farm-level (ARC-IC) options
- Revenue guarantee equal to 86% of “Benchmark Revenue”
  - Price: Olympic average of 5 years of national MYA prices
  - Yield: ARC-CO uses an Olympic average of 5 years of county crop yields
- 2018: added trend-adjustment to yields, lagged historical yields and prices used by 1 year (2018-2022 used to set 2024 benchmarks)

# ARC-CO vs. PLC

## Effective Reference vs. ARC Trigger Prices

Commodity	Units	Statutory Reference Price	Effective	ARC Benchmark Price	ARC Trigger Price <sup>1</sup>	ARC Trigger to ERP Ratio <sup>2</sup>
			Reference Price (ERP)			
Grain Sorghum	\$/bu	\$3.95	\$4.06	\$5.01	\$4.31	106.1%
Oats	\$/bu	\$2.40	\$2.76	\$3.38	\$2.91	105.3%
Corn	\$/bu	\$3.70	\$4.01	\$4.85	\$4.17	104.0%
Soybeans	\$/bu	\$8.40	\$9.26	\$11.12	\$9.56	103.3%
Canola	\$/lb	\$0.2015	\$0.2015	\$0.23	\$0.20	99.7%
Sunflower Seed	\$/lb	\$0.2015	\$0.2015	\$0.23	\$0.20	98.5%
Wheat	\$/bu	\$5.50	\$5.50	\$6.21	\$5.34	97.1%
Seed Cotton	\$/lb	\$0.3670	\$0.3670	\$0.40	\$0.34	92.7%
Barley	\$/bu	\$4.95	\$4.95	\$5.07	\$4.36	88.1%
Rice (Long Grain)	\$/lb	\$0.1400	\$0.1400	\$0.14	\$0.12	86.0%
Peanuts	\$/lb	\$0.268	\$0.268	\$0.27	\$0.23	86.0%
Sesame Seed	\$/lb	\$0.2015	\$0.2317	\$0.38	\$0.32	139.8%
Mustard Seed	\$/lb	\$0.2015	\$0.2317	\$0.29	\$0.25	106.9%
Lentils	\$/lb	\$0.1997	\$0.1997	\$0.25	\$0.21	106.7%
Chickpeas (Large)	\$/lb	\$0.2154	\$0.2261	\$0.27	\$0.23	103.3%
Chickpeas (Small)	\$/lb	\$0.1904	\$0.2108	\$0.25	\$0.22	102.4%
Flaxseed	\$/bu	\$11.28	\$11.28	\$13.36	\$11.49	101.8%
Crambe	\$/lb	\$0.2015	\$0.2060	\$0.24	\$0.21	101.2%
Dry Peas	\$/lb	\$0.1100	\$0.1100	\$0.13	\$0.11	99.1%
Safflower	\$/lb	\$0.2015	\$0.2015	\$0.22	\$0.19	95.7%
Rapeseed	\$/lb	\$0.2015	\$0.2015	\$0.21	\$0.18	88.1%
Rice (Med/Short Grain)	\$/lb	\$0.1400	\$0.1400	\$0.14	\$0.12	86.0%
Rice (Temperate Japonica) <sup>3</sup>	\$/lb	\$0.1730	\$0.1990	-	-	-

<sup>1</sup>86% of the ARC Benchmark Price

<sup>2</sup>ARC Trigger Price divided by the Effective Reference Price

<sup>3</sup>No ARC Benchmark Price reported for 2024 as of January 23, 2024

Source: ARC/PLC Program Data, Farm Service Agency, United States Department of Agriculture

# ARC-CO vs. PLC;

## ARC Price Triggers and the ARC Payment Cap

Table 1. 2024 PLC and ARC Program Price Triggers

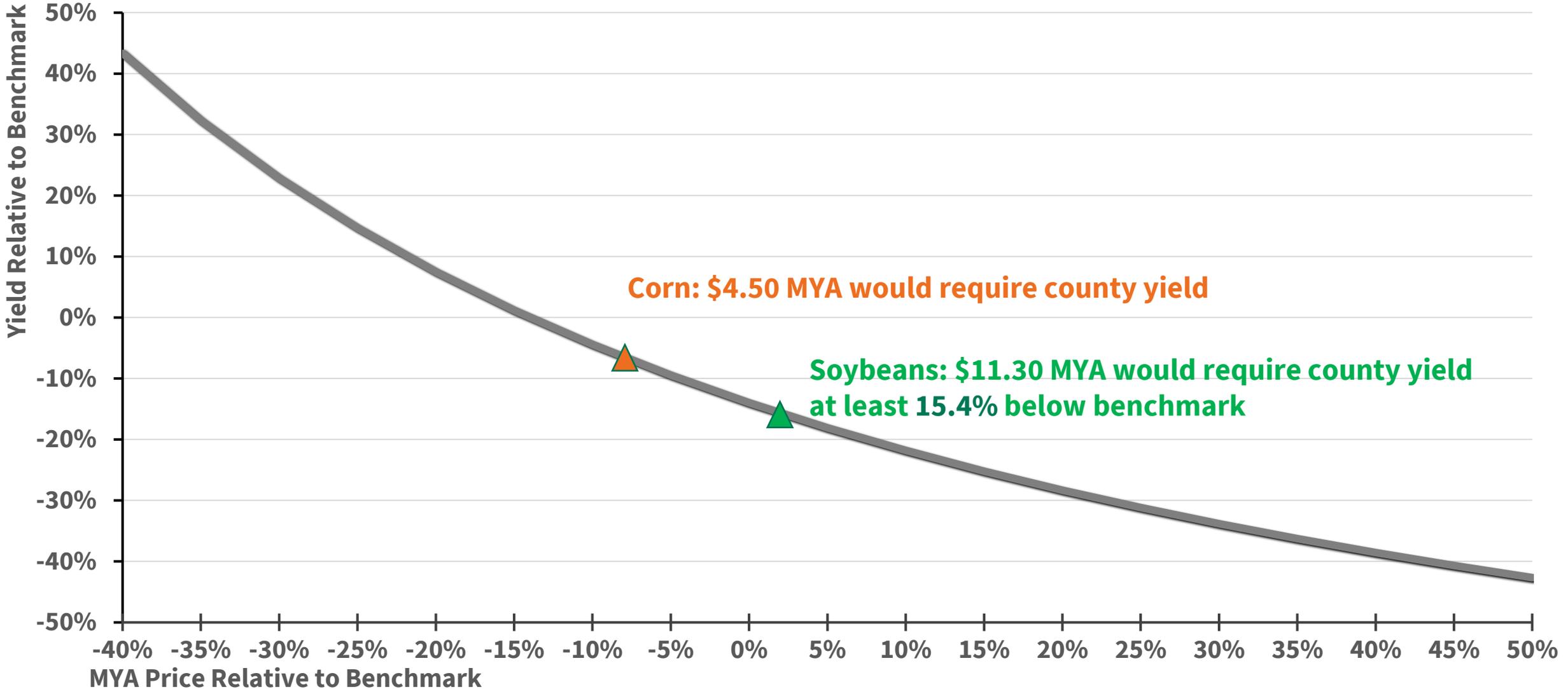
	PLC Effective Reference Price	ARC Benchmark Price	County Yield							
			Benchmark		95% of Benchmark		105% of Benchmark		110% of Benchmark	
			ARC Trigger <sup>1</sup>	ARC Max Trigger <sup>2</sup>	ARC Trigger <sup>1</sup>	ARC Max Trigger <sup>2</sup>	ARC Trigger <sup>1</sup>	ARC Max Trigger <sup>2</sup>	ARC Trigger <sup>1</sup>	ARC Max Trigger <sup>2</sup>
Corn	4.01	4.85	4.17	3.69	4.39	3.88	3.97	3.51	3.79	3.35
Soybeans	9.26	11.12	9.56	8.45	10.07	8.90	9.11	8.05	8.69	7.68
Wheat	5.5	6.21	5.34	4.72	5.62	4.97	5.09	4.49	4.86	4.29

<sup>1</sup>Price where ARC-CO payments would be triggered

<sup>2</sup>Price where ARC-CO payments would reach the cap of 10% of Benchmark Revenue

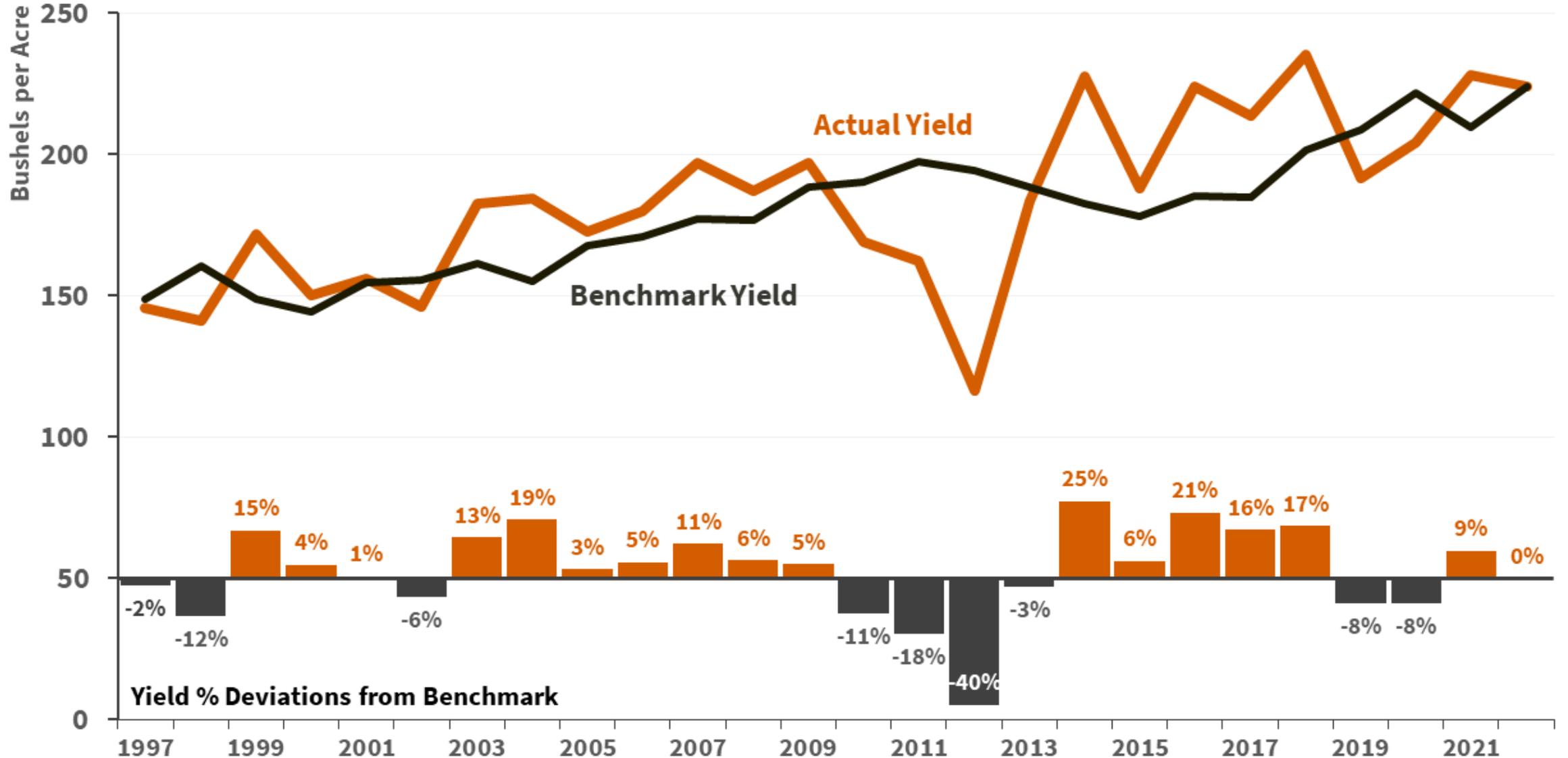
# ARC-CO vs. PLC: Yield Variability

## Price and Yield Combinations to Trigger ARC-CO Payments



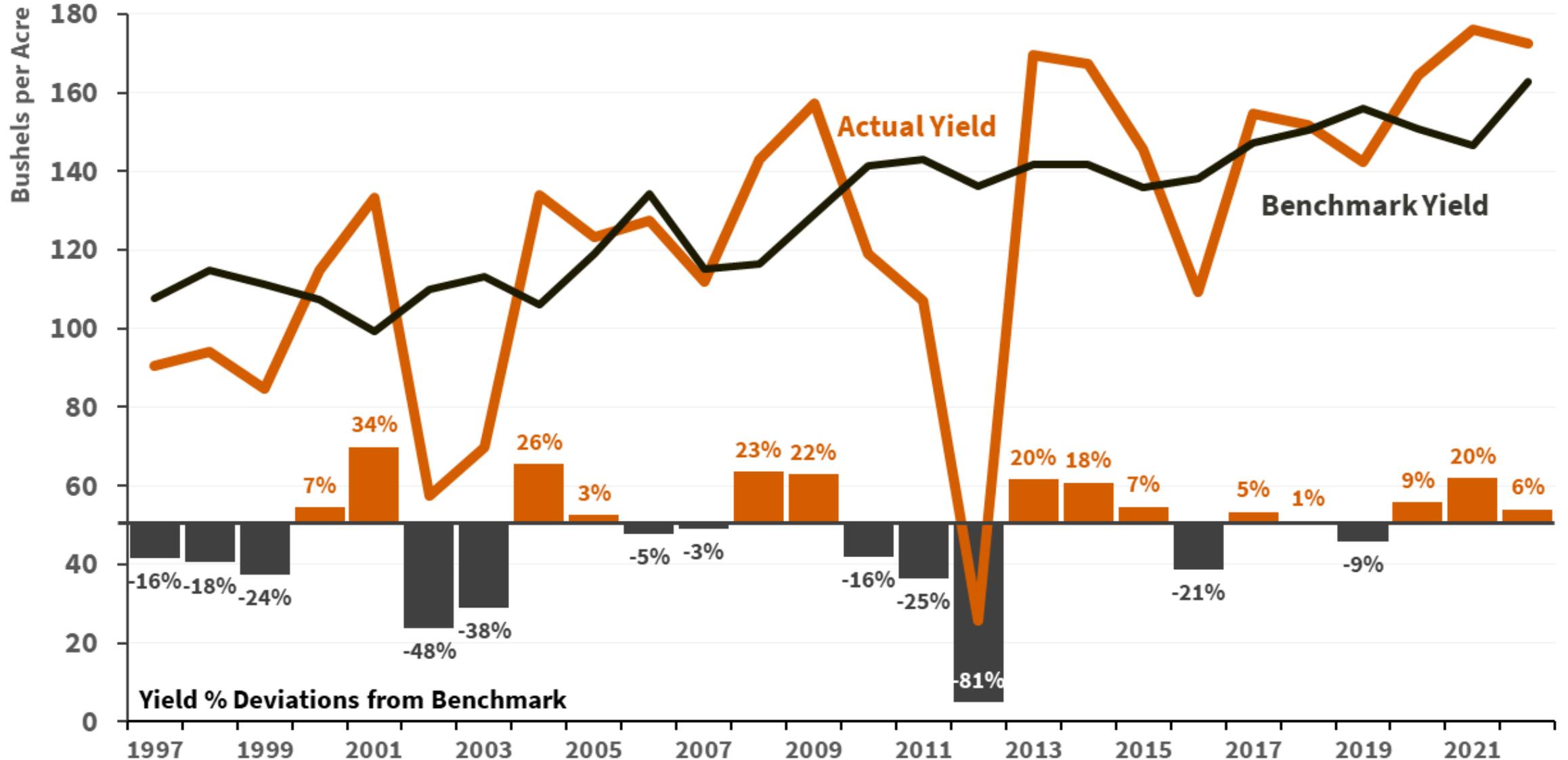
# ARC-CO vs. PLC: Yield Variability

## Champaign County, Illinois **Corn** Yields, 1997-2022



# ARC-CO vs. PLC: Yield Variability

## Franklin County, Illinois **Corn** Yields, 1997-2022



# Part 2. Looking Ahead

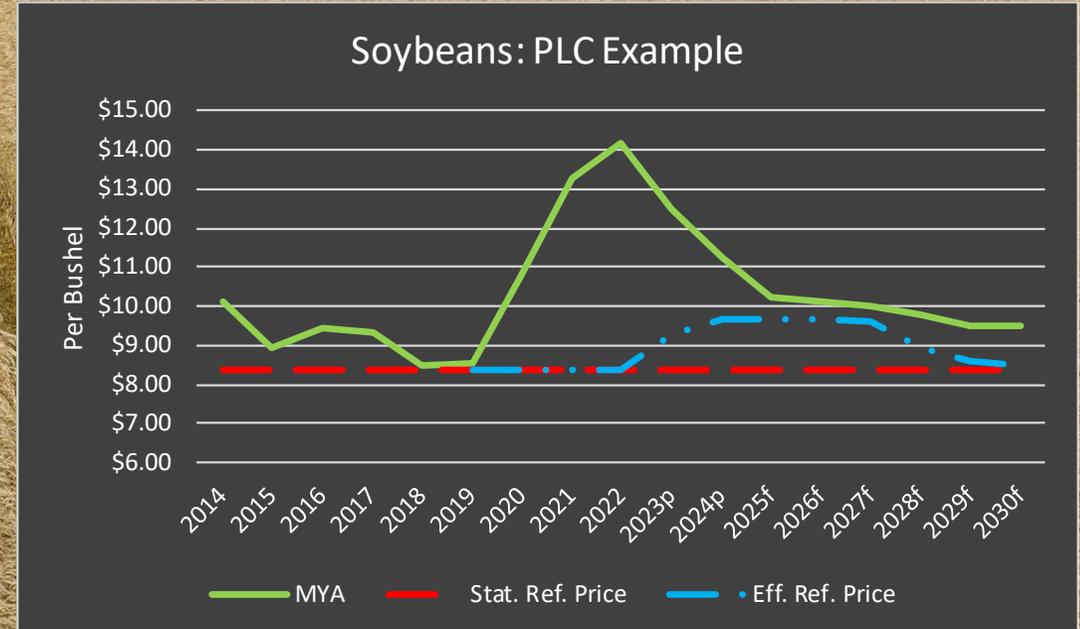
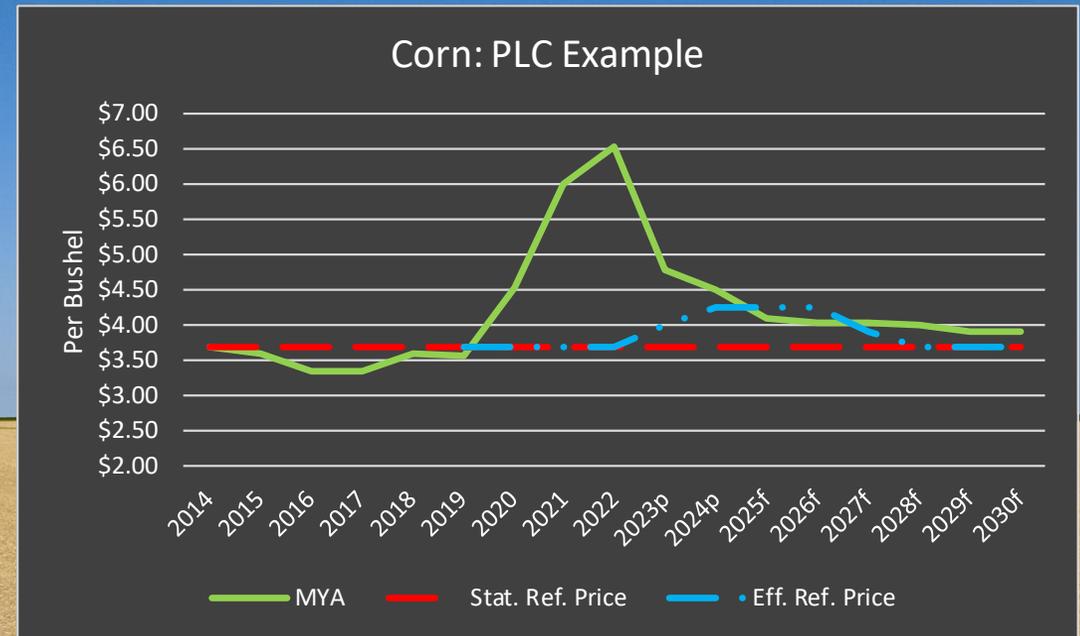
**The rather cloudy & questionable prospects for a farm bill in 2024.**



# The Problem, Part I

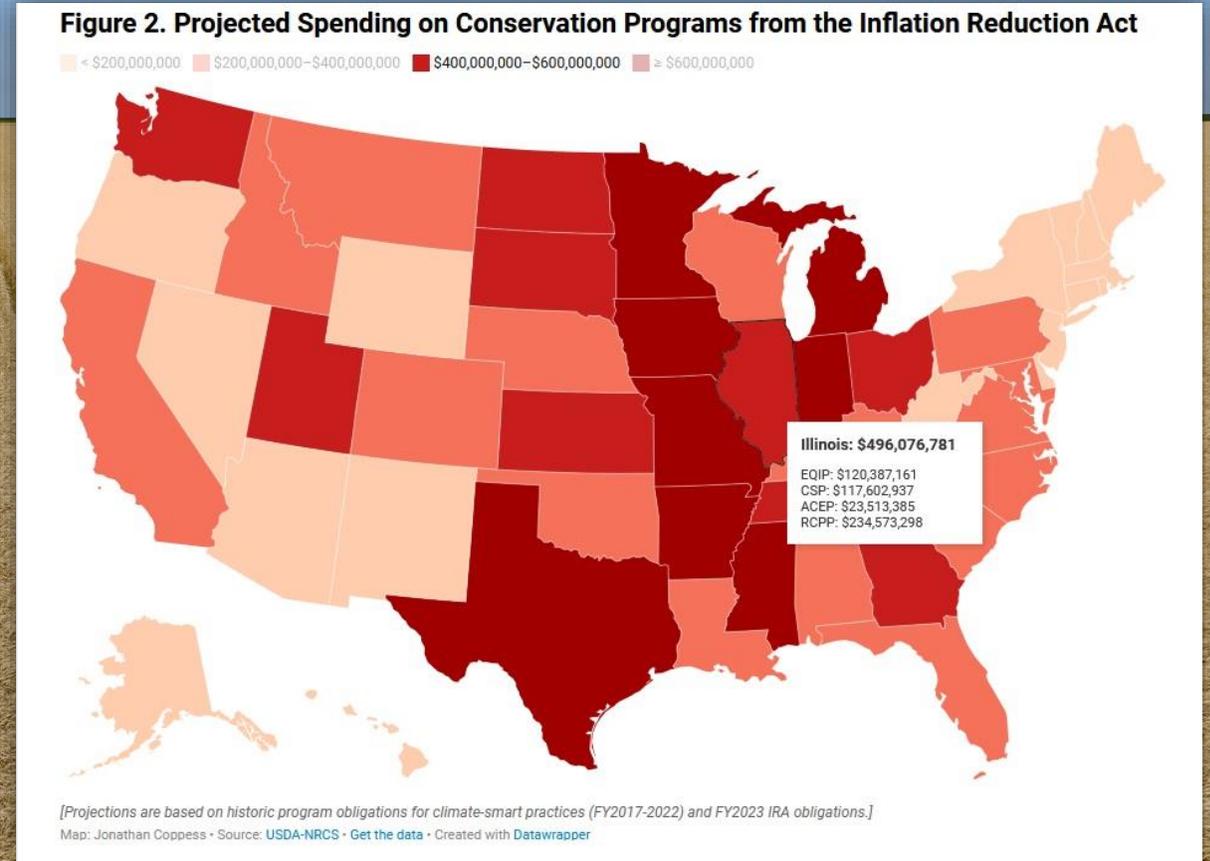
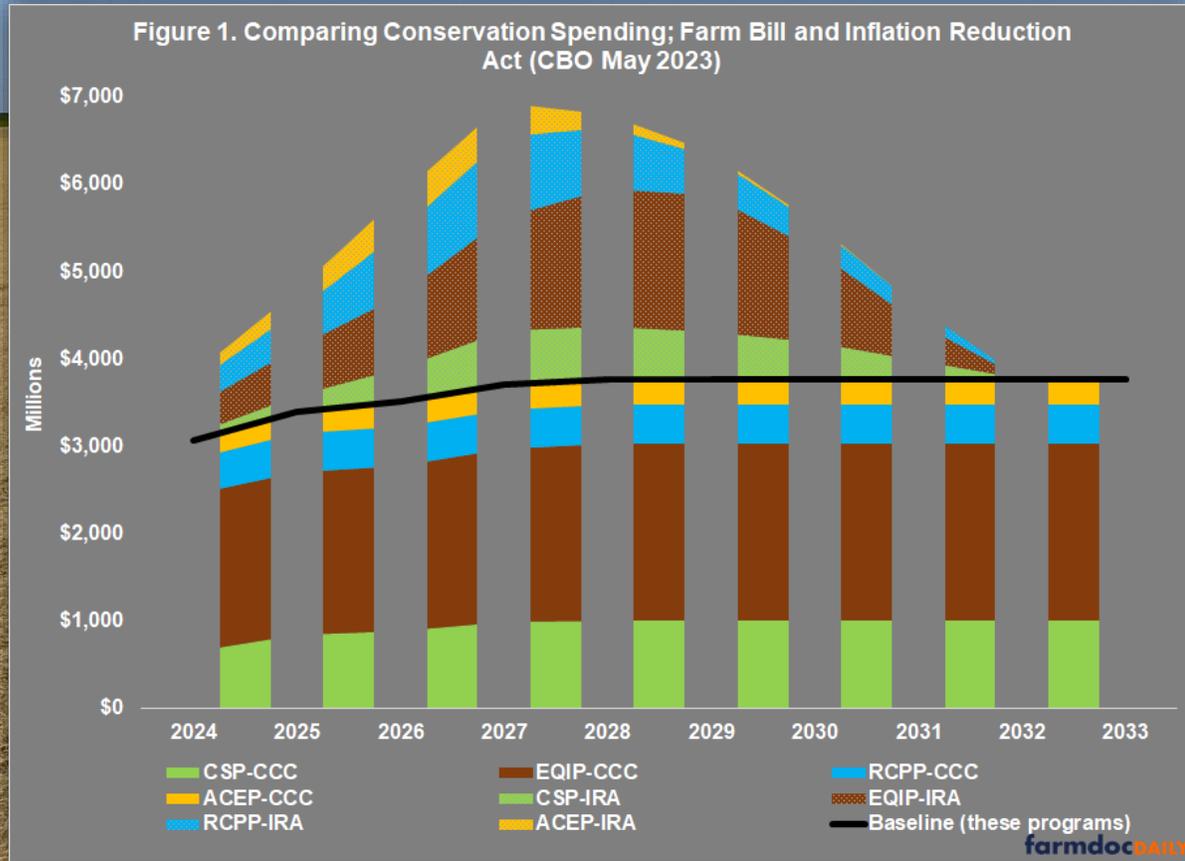
## Reference Prices

- Demand to increase reference prices.
- Might cost \$20b to \$50b in additional projected spending (10 years).
- Budget rules require offsets; House looking at SNAP & Conservation.

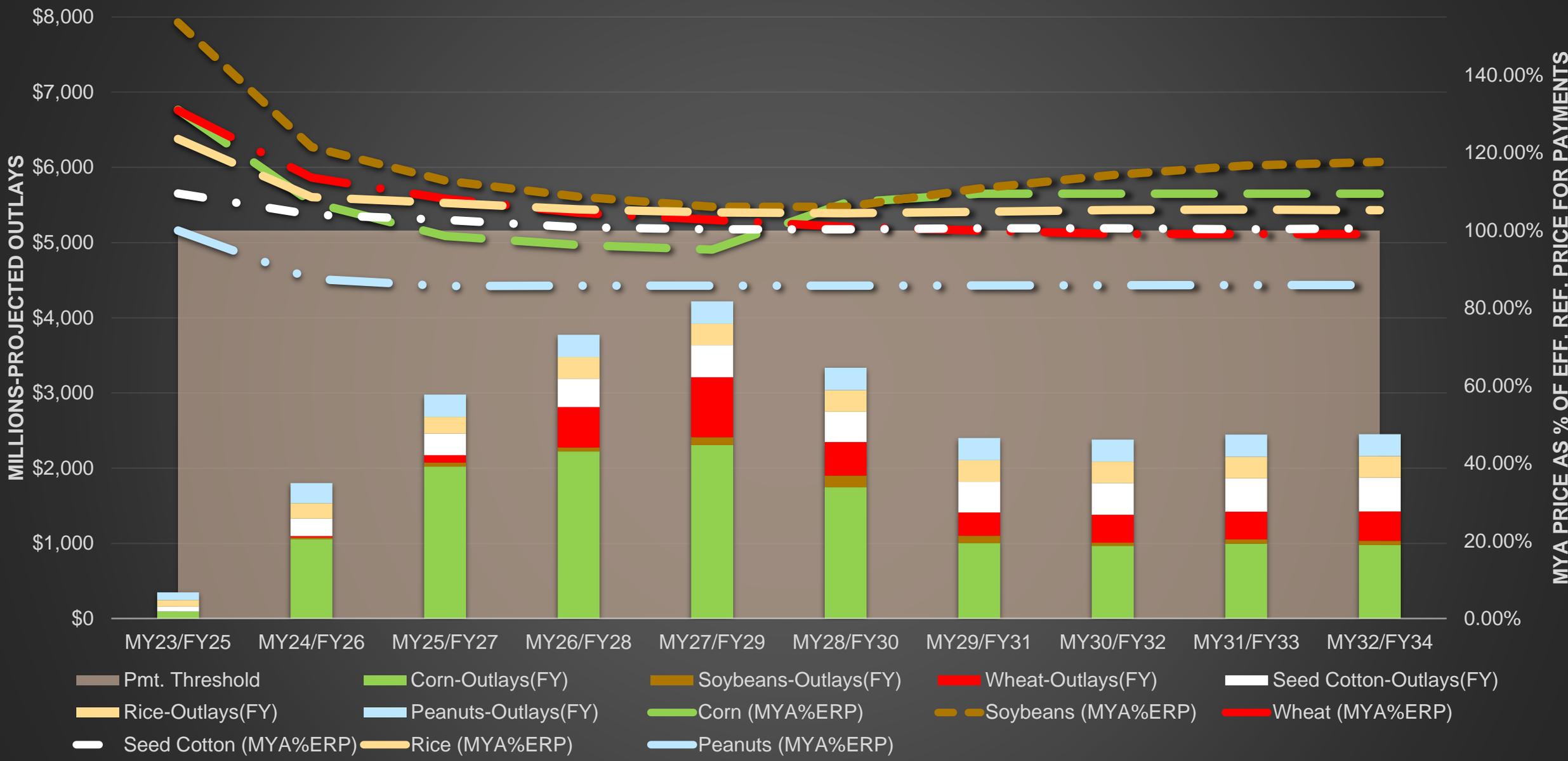


# The Problem, Part II

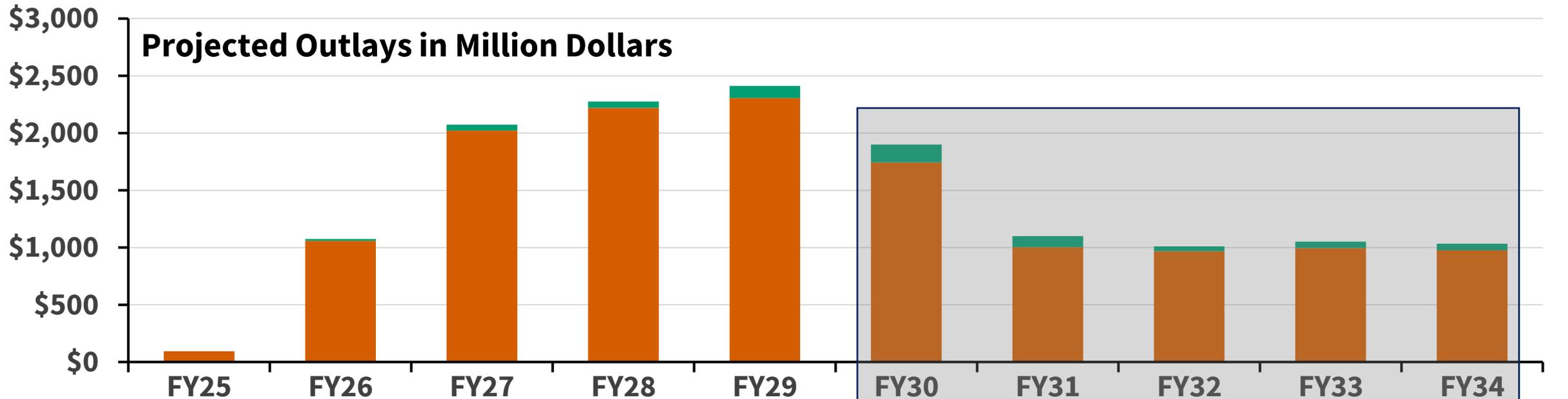
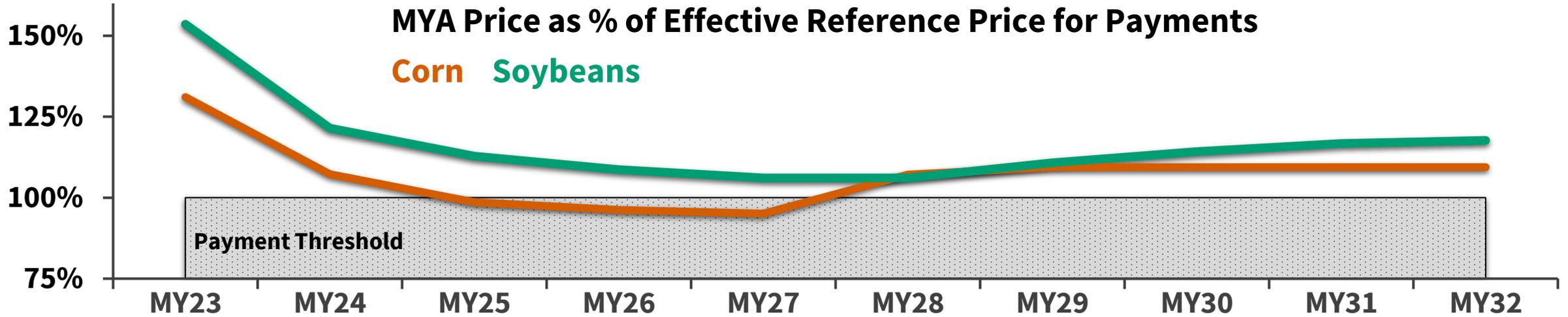
## Inflation Reduction Act (IRA) Funding



# Problems Compound.



# Problems Compound : Corn & Soybeans



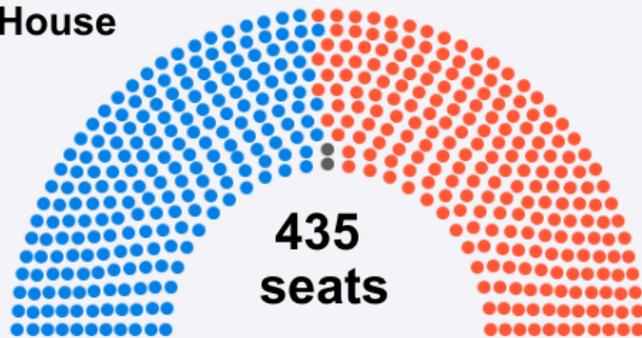
# The Problem, Part III: Congress

## Composition of the 118th Congress



● Democrats ● Republicans ● Independents ● Vacancies

### House



212 Democrats  
0 Independents

218 votes for majority\*

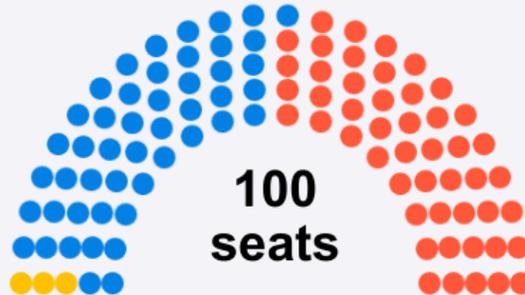
221 Republicans  
2 Vacancies

Vacancies: RI-01, UT-02

\*If no vacancies and all members vote

\*\*Sens. Sanders (VT) and King (ME) caucus with the Democrats; Sen. Sinema (AZ) caucuses with neither party but receives committee assignments from Democrats

### Senate



48 Democrats  
3 Independents\*\*

51 votes for majority\*  
60 votes for cloture\*

49 Republicans  
0 Vacancies

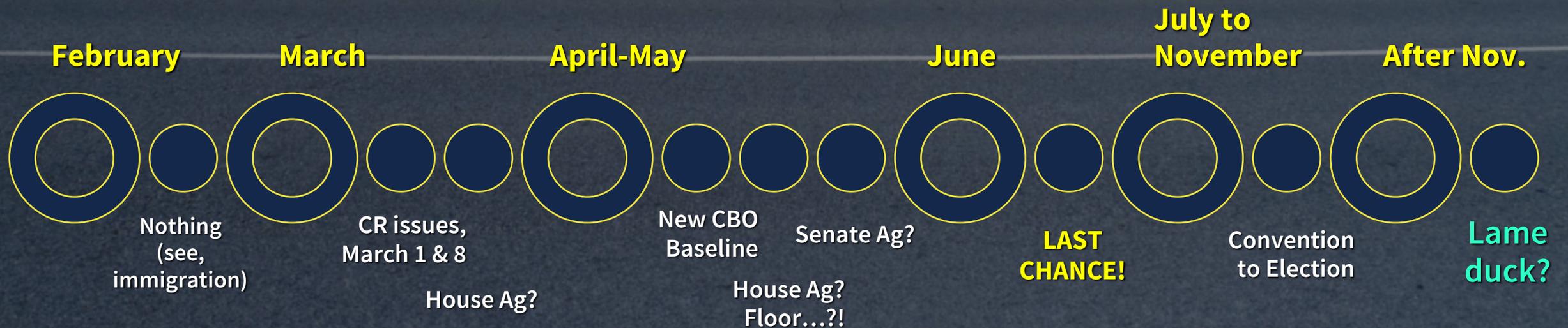
Source: US House of Representatives, US Senate.  
Presentation Center 2023

<https://www.nationaljournal.com/md/722587/composition-of-the-118th-congress>

NJ

- House Majority down to 219; need 218...
- A partisan bill is incredibly vulnerable on House floor, has no chance in Senate.
- Cutting SNAP and Conservation (IRA) funding to offset costs of increased payments is a not a plan for success.
- Gets worse with election season.

# IF there is a path...



# Thank you!

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# Upcoming 2024 IFES Webinars

**February 22**

**The Renewable Diesel Boom: What Does the Future Look Like?**

*by Scott Irwin*

## Crop Risk Management for 2024 Webinar Series

**Monday February 19 and Monday March 4**

This two-part webinar series will provide an in-depth analysis of risk management decisions and strategies for the 2024 crop year. Lower commodity prices are expected for the 2024 crop and marketing years compared to the past 3 years, resulting in a much tighter margin environment and increased importance of risk management decisions



Register at <http://go.illinois.edu/CropRisk2024>



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# Cultivating Caution

## A Monthly Guide to Farm Safety & Health



A monthly webinar series  
from farmdoc and the  
UIUC Agricultural Safety  
& Health Program.

Join University of Illinois experts monthly as they share the latest research and recommendations for staying safe and healthy while working in agriculture. Topics will cover machinery safety, infectious diseases, grain hazards, tractor safety, heat illness, and mental health. The webinar series provides practical tips and best practices for Illinois farmers, ranchers, and agricultural workers to protect themselves, their families, and their operations.

**Register for this free webinar series at [Go.Illinois.edu/SafeAg2024](https://Go.Illinois.edu/SafeAg2024)**

The farmdoc Team, WILLAg.org, and University of Illinois Extension are proud to present the All Day Ag Outlook. This meeting has been an annual tradition in the month of March at the Beef House in Covington, Indiana since 1991.



The poster features a dark blue background with white and orange text. At the top left, it says "Tuesday March 5, 2024". At the top right is the Beef House RESTAURANT logo, which includes a circular image of a beef head. The main title "All Day Ag Outlook" is in large white font. Below that, logos for Illinois Extension (with the text "UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN"), willag.org, and farmdoc are displayed. At the bottom, the logo for the College of Agricultural, Consumer & Environmental Sciences (with the text "UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN") is shown.

Tuesday  
March 5, 2024

  
Beef House  
RESTAURANT

**All Day Ag Outlook**

 Illinois Extension  
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN willag.org farmdoc

 College of Agricultural,  
Consumer &  
Environmental Sciences  
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

This year's event is scheduled for Tuesday, March 5, 2024.

The **doors open at 7:30 a.m. central / 8:30 a.m. eastern time** and includes both coffee and rolls in the morning and a Beef House lunch.

**TIAA**

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