

# Economic Conditions & the Title 1 Programs

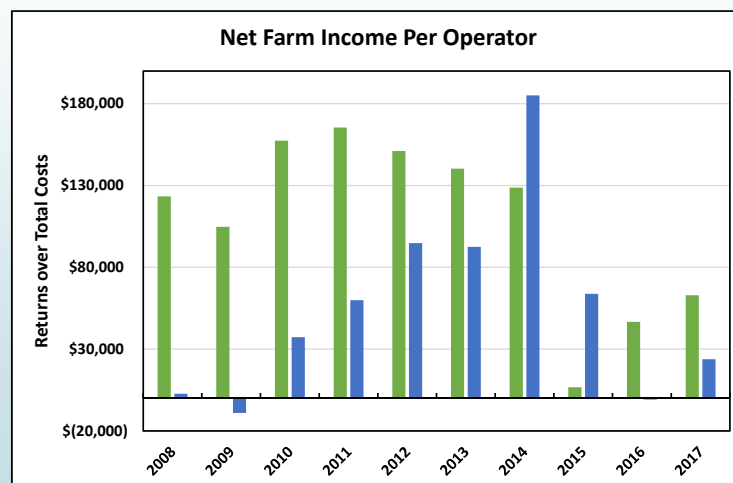
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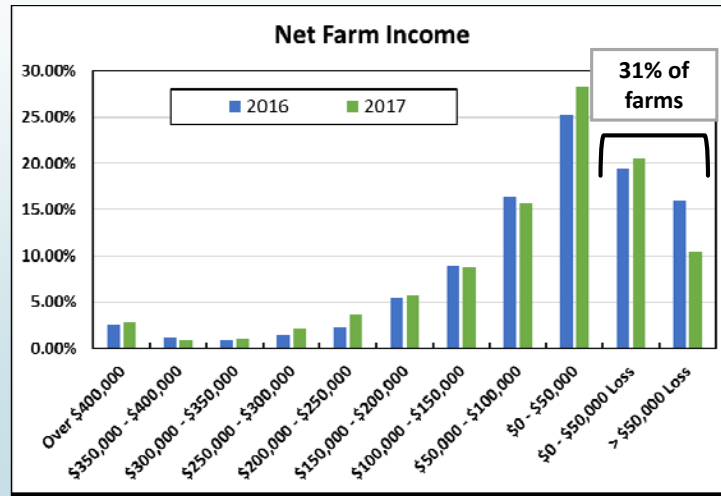
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## Net Farm and Ranch Income



## Distribution of NFI



## Farm Bill Issues



## Farm Bill Budget Outlook

- ▶ Big 4 account for 99% of spending

- ▶ Commodities
- ▶ Crop Insurance
- ▶ Conservation
- ▶ Nutrition (Supplemental Nutrition Assistance Program)

- ▶ Everything else fits in the 1%

- ▶ Trade
- ▶ Credit
- ▶ Rural Infrastructure/ Development
- ▶ Research, Extension, and Related Matters
- ▶ Forestry
- ▶ Energy
- ▶ Horticulture
- ▶ Miscellaneous



## 2018 Farm Bill Comparison

### H.R. 2

- ▶ Reported by committee on partisan vote – April 18
- ▶ Failed on House vote – 198-213 – May 18
- ▶ Reconsidered in House – passed 213-211 – June 21

### S. 3042

- ▶ Reported by committee on bi-partisan vote – June 18
- ▶ Passed in Senate – 86-11 – June 28

# Commodities

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
ARC v. PLC	Fixed reference price for PLC (and ARC) Moving average revenue guarantee at 86% for ARC	Increased reference price (higher of reference or 85% of 5-year OAP, max of 115% of reference price)  Eliminate ARC-IC	Thune/Brown amendment to reduce reference prices and strengthen ARC not considered	Role of safety net? Price v. revenue? Fixed vs. moving average protection? Responsiveness to low prices/income? ARC v. PLC decision in 2019 and 2019-23 price projections?

# Commodities

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
ARC-CO Yields	5-year OAY – based on NASS/RMA/committee  Plug yield at 70%	Shift to RMA data first  Yield update for drought-affected counties  Plug yield remains at 70%	Shift to data with greatest national coverage first (RMA?)  Plug yield from 70% to 75%  Trend-adjusted 5-year OAY	Most representative yield history and calculation to protect production?
ARC-CO Payments	Based on administrative county – opportunity for reconstitution to split combined counties		Shift to geographic county	

## Payment Limits

### Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Program Payment Limits	\$125,000 per person or per entity			
AGI Eligibility Limits	\$900,000		Reduces AGI cap from \$900,000 to \$700,000	Supports tied to production or to farms?
Direct Attribution and Entity Rules	Payments attributed to individuals for payment limit purposes regardless of entities, subject to 4 levels of entities  Entities also limited to single payment limit	Relaxes entity rule - unlimited payments to qualified pass-through entities  Expands familial definition - nieces, nephews, cousins		Entities vs. individuals?  What defines/limits active engagement?
Active Engagement	Left hand contributions - land, labor, capital  Right hand contributions - active labor and management		Grassley amendment to tighten eligibility rules added into bill	

## Conservation

### Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
CRP	Enrollment cap - 24 M acres  Rental rate - max of 100% of county average rental rate	Expand cap to 29 M acres  Reduce maximum rental rate to 80%  Reduced rental rate cap for re-enrollment	Expand cap to 25 M acres  Reduce maximum rental rate to 88.5%  Establishes Conservation Reserve Easements  Thune amendment language added to create separate Soil Health and Income Protection Program for short-term land retirement	Budget-neutral cap and rental rate shift?  Willingness-to-accept for CRP re-enrollment?

# Conservation

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Working Lands	EQIP up to \$1.75 B/yr, projected outlays of \$1.5-1.7 B/yr over 2019-2023	Eliminates CSP, shifts stewardship payments to EQIP, raises EQIP by \$2.1 B, but cuts CSP by \$3.6 B over 2019-23	Reduces EQIP authority to \$1.5-1.6 B/yr, projected outlays reduced by \$626 M over 2019-23	Reduced funding for working lands programs?
	EQIP livestock share of 60%	Eliminates EQIP livestock share	Reduces EQIP livestock share to 55%	
	CSP up to 10 M ac/yr, projected outlays of \$1.6-1.8 B/yr over 2019-23		Reduces CSP authority to 8.8 M ac/yr, projected outlays reduced by \$229 M over 2019-23	

# Conservation

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Easement Programs	Budget authority of \$250 M/yr, projected outlays of \$1.347 B over 2019-23	Increases budget authority to \$500 M/yr, increases projected outlays by \$979 M over 2019-23	Increases projected outlays by \$629 M over 2019-23	Role for easement programs?
Regional Conservation Partnership Programs	Budget authority of \$100 M/yr, projected outlays of \$578 M over 2019-23	Increases budget authority to \$250 M/yr, increases projected outlays by \$558 M over 2019-23	Increases budget authority to \$200 M/yr, increases projected outlays by \$374 M over 2019-23	Role for partnership programs?

# Crop Insurance

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Means Test	No limit		Durbin amendment to add \$700,000 AGI cap withdrawn	Impact on large operations/participation Impact on remaining operations, portfolio performance, and actuarially-sound rates
Premium Subsidy Limit	No limit			
Harvest Price Coverage	RP (w/ harvest price) – covers revenue based on higher of base or harvest price  RP (w/o harvest price) – covers revenue based on base price			Role of harvest price with marketing/hedging activity  Economic rationale for RP w/harvest price vs. RP w/o harvest price
Premium Subsidy Rate	Variable rate – average of 62% on full portfolio			Producer willingness-to-pay  Systemic v. idiosyncratic risk, role of subsidy
Standard Reinsurance Agreement	Renegotiated regularly – outside of farm bill			Company support and returns

# Food Assistance (SNAP)

## Major Components

Issue	Current Law	House (H.R. 2)	Senate (S. 3042)	Economic Issues/ Questions
Categorical Eligibility	Broad-based categorical eligibility	Tightens rules, reduces projected outlays by \$2.3 B over 2019-23, \$5.0 B over 2019-28		Participation and support levels?
Standard Utility Deduction	Standard utility deduction in budget for benefit calculation	Tightens rules, reduces projected outlays by \$2.4 B over 2019-23, \$5.3 B over 2019-28		Eligibility rules? Benefit calculations?
Work Requirements and Education/Job Training	Current work requirements of 20 hours/week, but also existing waivers	Tightens rules, expands training, projected outlays increase by \$910 M over 2019-23, decrease by \$1.5 B over 2019-28	Kennedy/Cruz amendment to tighten work requirements defeated	Benefit delivery? Work requirements? Education/job training assistance?



## 2018 Farm Bill Outlook

- ▶ House and Senate bills in conference negotiations – Conference Committee report in early September?
- ▶ Path to Farm Bill completion
  - ▶ Vote before current farm legislation expires on September 30?
  - ▶ Vote after election in lame-duck session before end of the year?
  - ▶ Permanent legislation for dairy programs would take effect on January 1, 2019 if no new/extended legislation
- ▶ New producer ARC/PLC enrollment decision in 2019 under new/extended legislation



## Announced U.S. Trade Aid for Agriculture

- ▶ \$12 billion in federal assistance for agriculture
  - ▶ Market Facilitation Program (~\$8 billion)
    - ▶ Direct payments to producers for 2018 production of soybeans, sorghum, cotton, corn, wheat, dairy, and hogs
  - ▶ Food Purchase and Distribution Program (~\$4 billion)
    - ▶ USDA purchases of surplus commodities (lost exports) for food, feeding, and donation programs
  - ▶ Trade Promotion Program (~\$200 million)
    - ▶ Leveraging private sector dollars to develop new foreign markets



## PLC and ARC-CO Enrollments



## Kansas Program Enrollment (% of total)

Crop	ARC-CO	ARC-IC	PLC	Base Acres in KS
Wheat	66.4	0.2	33.4	49.5
Corn	76.3	0.3	23.4	21.1
Soybeans	78.9	0.2	20.9	12.9
Grain Sorghum	44.9	0.1	55.0	15.6

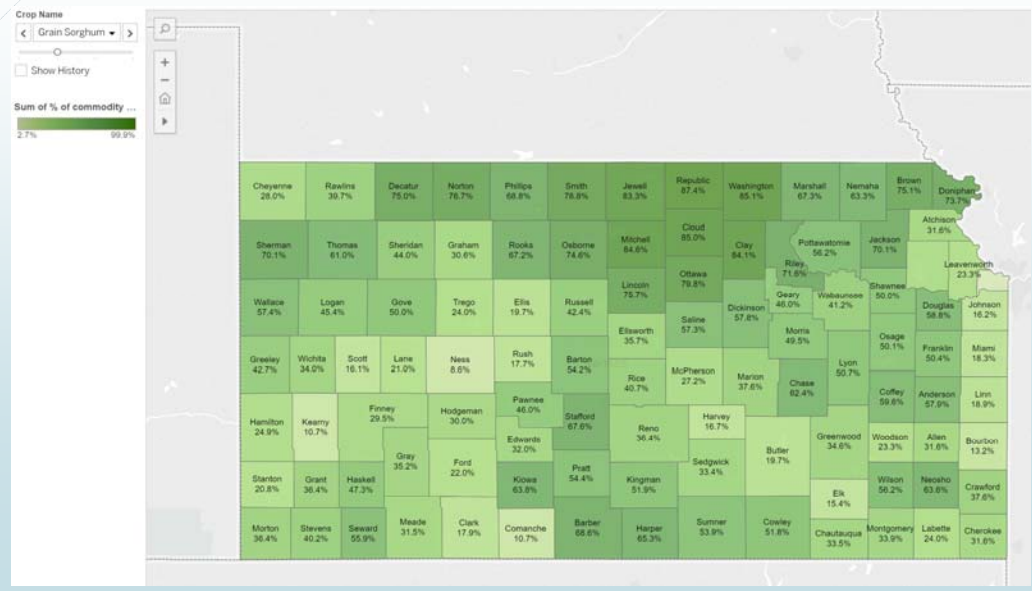
## ARC-CO Enrollment - Wheat



## ARC-CO Enrollment - Corn



## ARC-CO Enrollment – Grain Sorghum

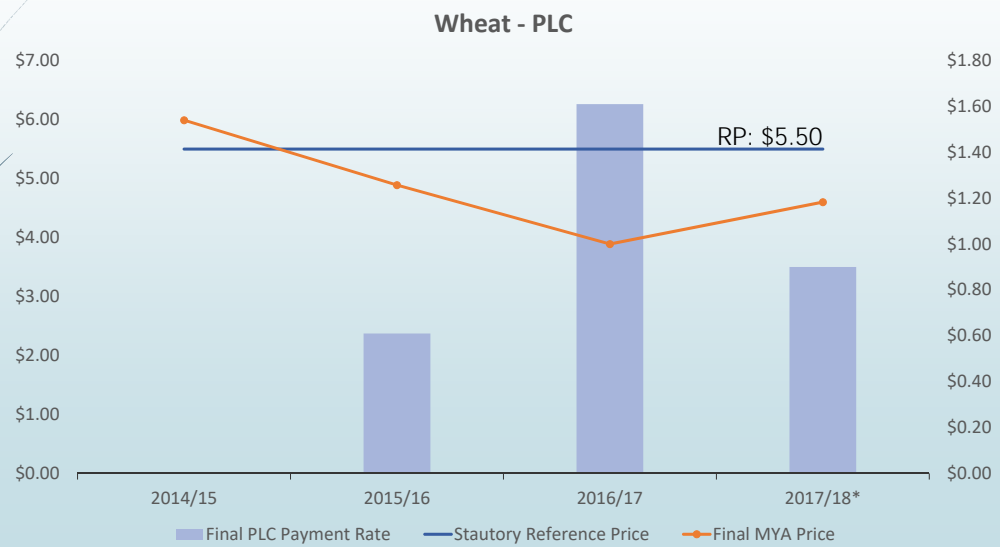


## ARC-CO Enrollment – Soybeans

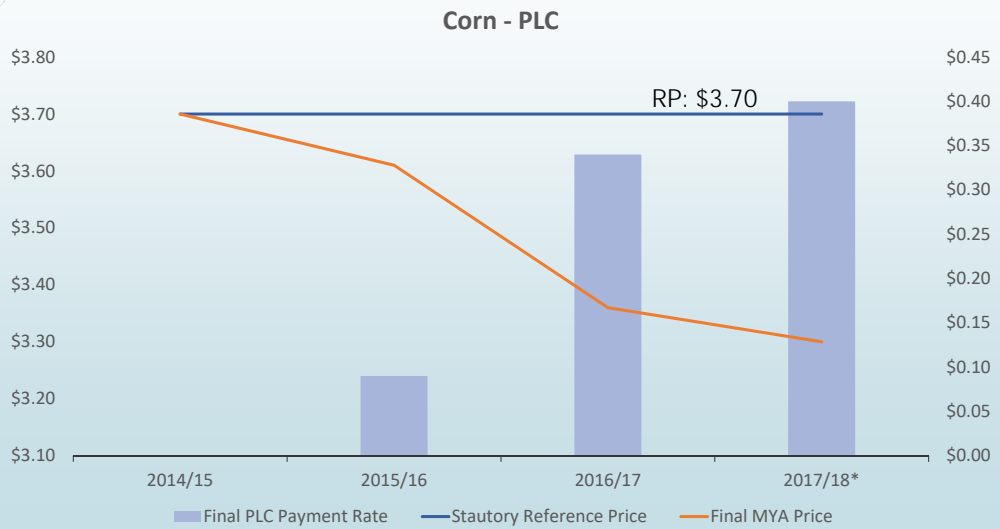


# PLC Payouts

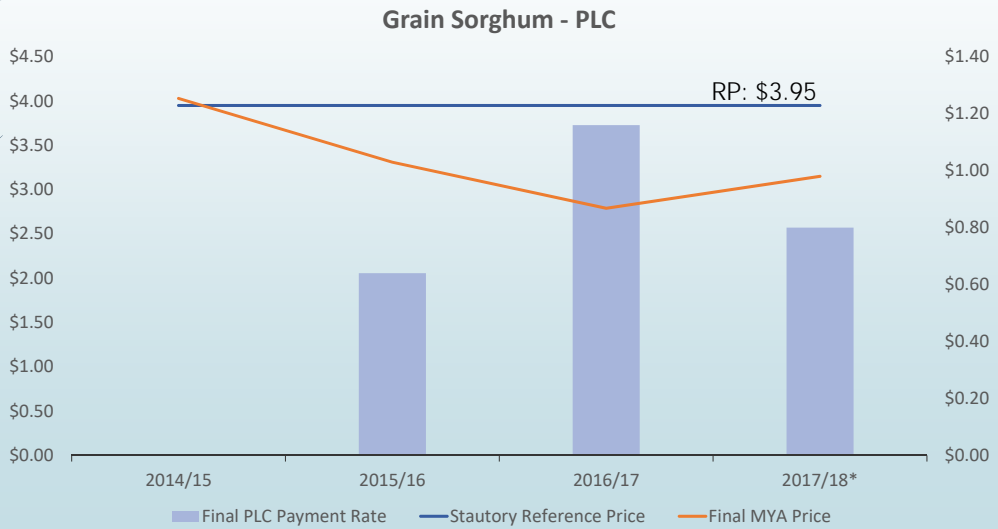
## Payments for PLC



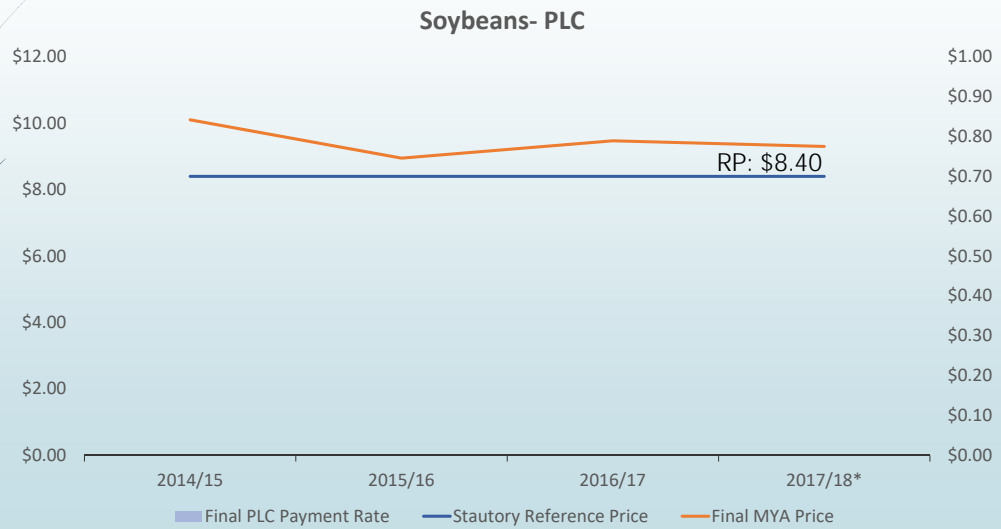
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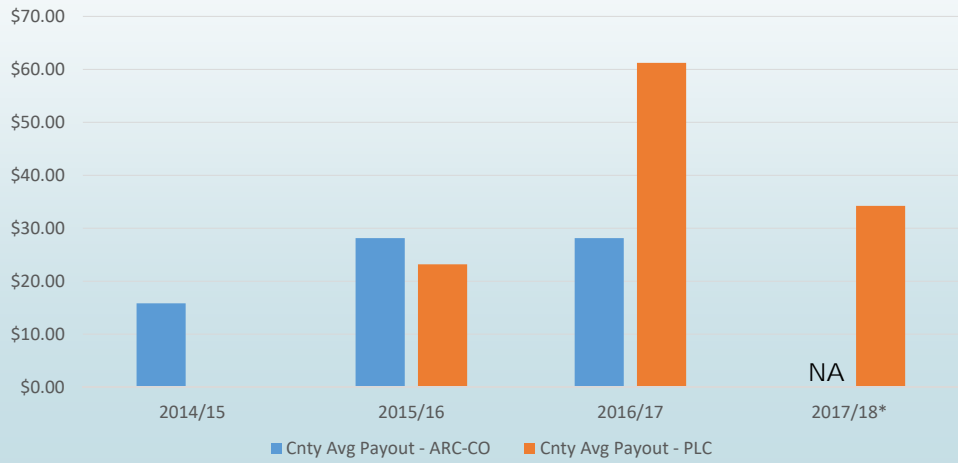
## PLC vs ARC-CO

Riley County



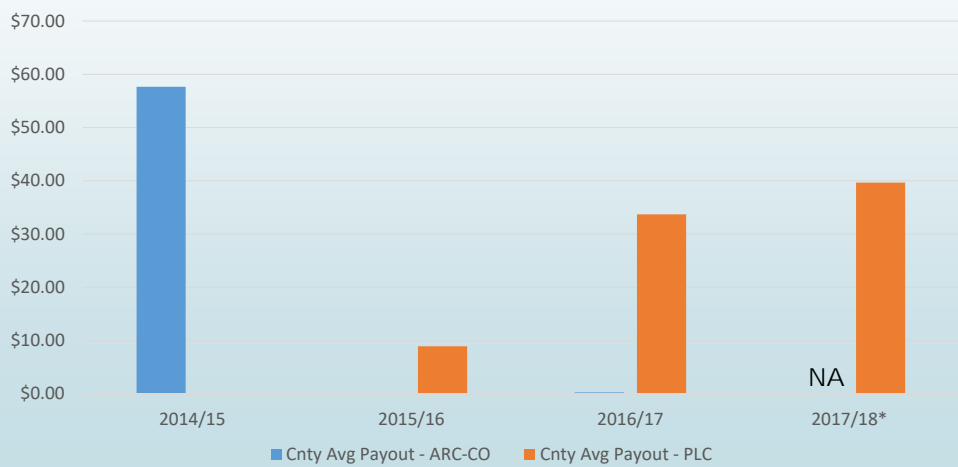
## PLC vs ARC-CO

### Wheat - Riley



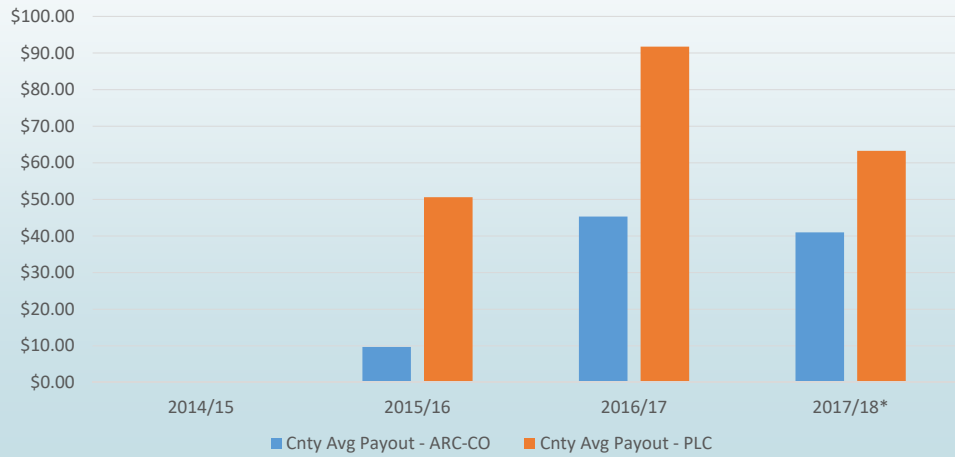
## PLC vs ARC-CO

### Corn - Riley



## PLC vs ARC-CO

### Grain Sorghum - Riley



## PLC vs ARC-CO

### Soybeans - Riley







## Implications



## Implications

- ▶ Picking the best program was and will continue to be a 'crap shoot'
  - ▶ Have to predict where prices will be relative to reference prices
  - ▶ Have to anticipate what yields will be at the county level
- ▶ Timing of payments
  - ▶ PLC payments were more timely relative to overall farm profitability



## Implications

- ▶ If history is our guide...
  - ▶ We will pick PLC
  - ▶ Exposed to a bad crop/high price outcome (1989, 2012)
  - ▶ Depend more heavily on crop insurance-HPO



## Questions?

