



Farm Bill Issues and Directions

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Farm Bill Framework

More than Just the Farm

- Commodities
- Conservation
- Trade
- Nutrition
- Credit
- Rural Development
- Research, Extension, and Related Matters
- Forestry
- Energy
- Horticulture
- Crop Insurance
- Miscellaneous



From National Park Service



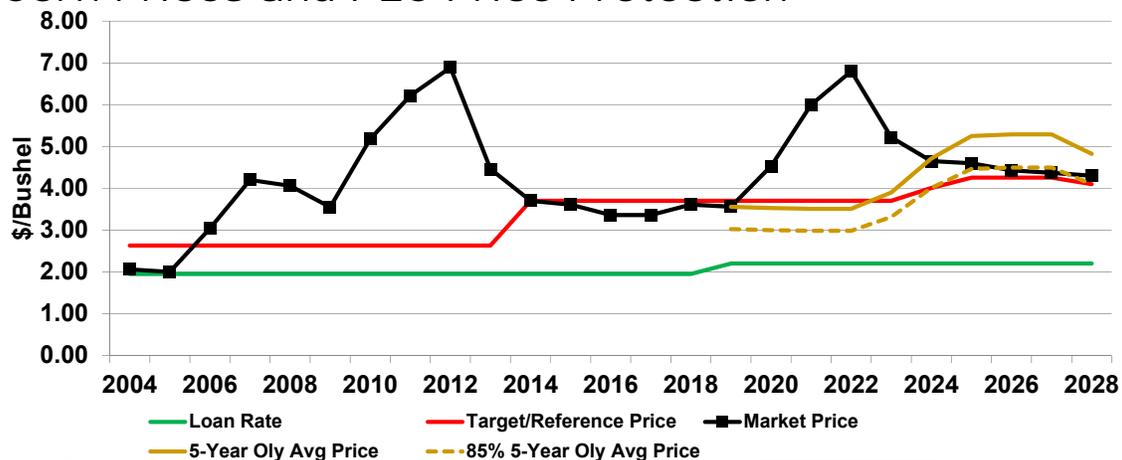


Commodity Program Issues

- Key Issues
 - Reduced commodity program supports with higher prices, but increasing costs
 - Significant role for disaster assistance programs
 - Substantial ad hoc support for farm income, but no budget baseline
- Alternatives
 - Budget Neutral
 - Status Quo – ARC v PLC
 - Budget Cost
 - Increase reference prices
 - Existing moving average adjustment
 - ARC+PLC
 - Margin program
 - Permanent crop disaster program
 - Budget Savings
 - Mandatory base acreage update
 - Payment limits, cuts, phase-outs, etc.



Farm Income Safety Net Corn Prices and PLC Price Protection*

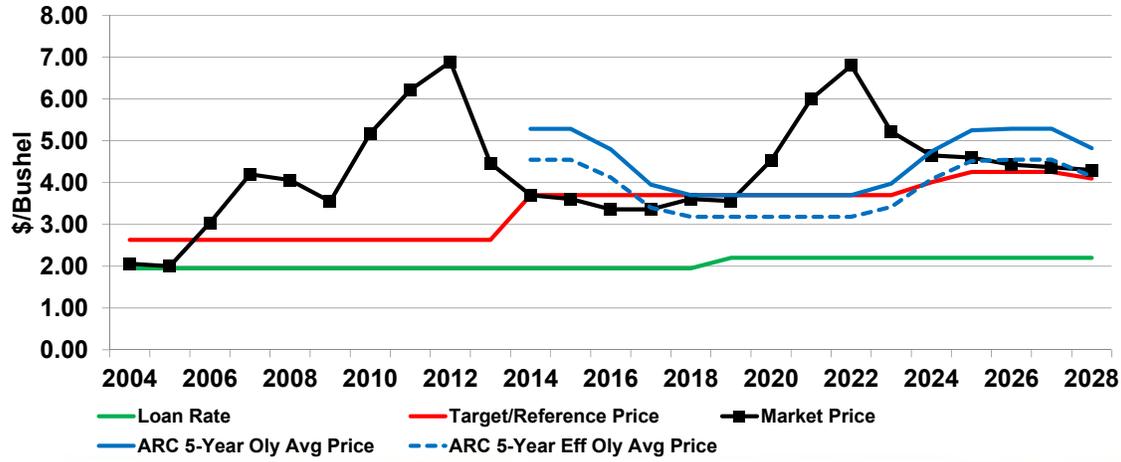


* Price projections for 2021-2022 from USDA-WAOB and USDA-FSA as of October 2022. Price projections for 2023-2028 from FAPRI as of August 2022. Sources: USDA-FSA, USDA-NASS, USDA-WAOB, FAPRI, and author calculations.



Farm Income Safety Net

Corn Prices and ARC Price Protection*

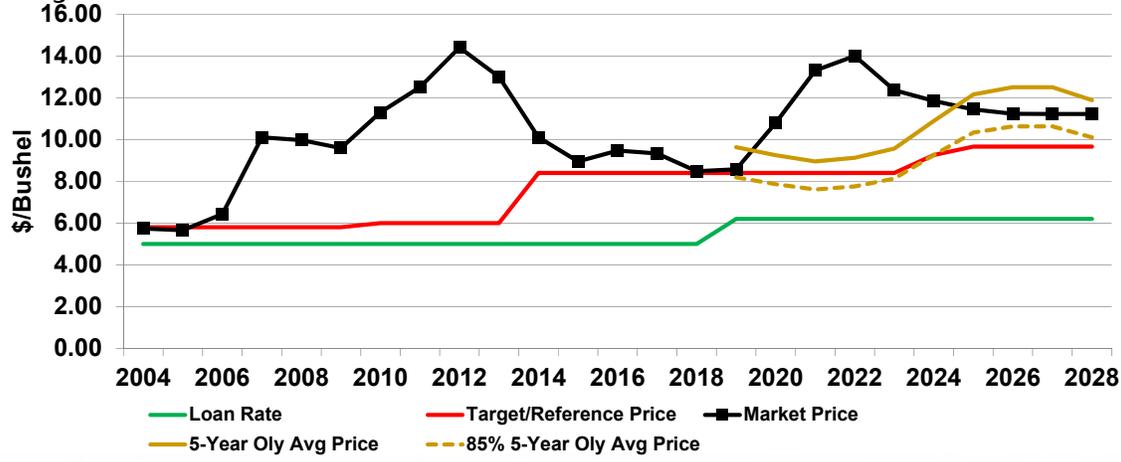


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Farm Income Safety Net

Soybean Prices and PLC Price Protection*



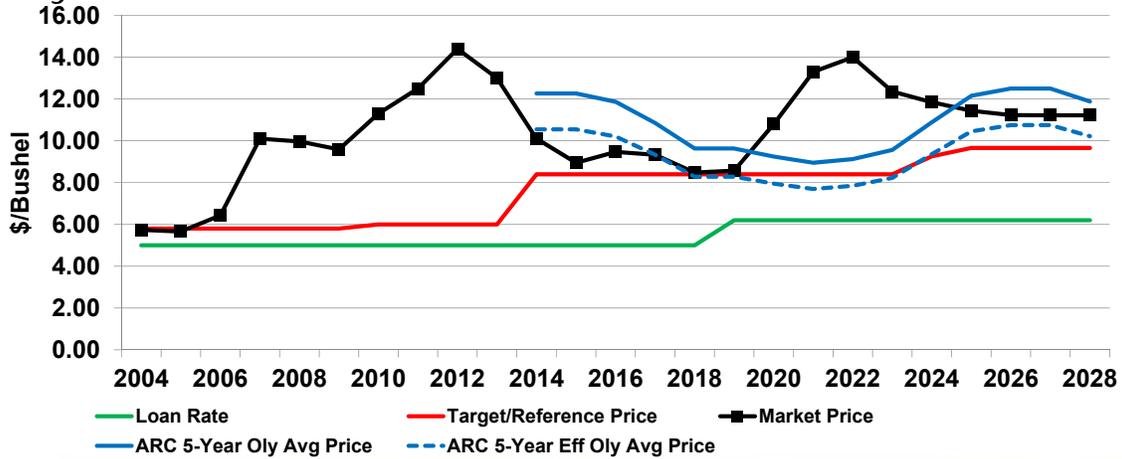
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Farm Income Safety Net

Soybean Prices and ARC Price Protection*

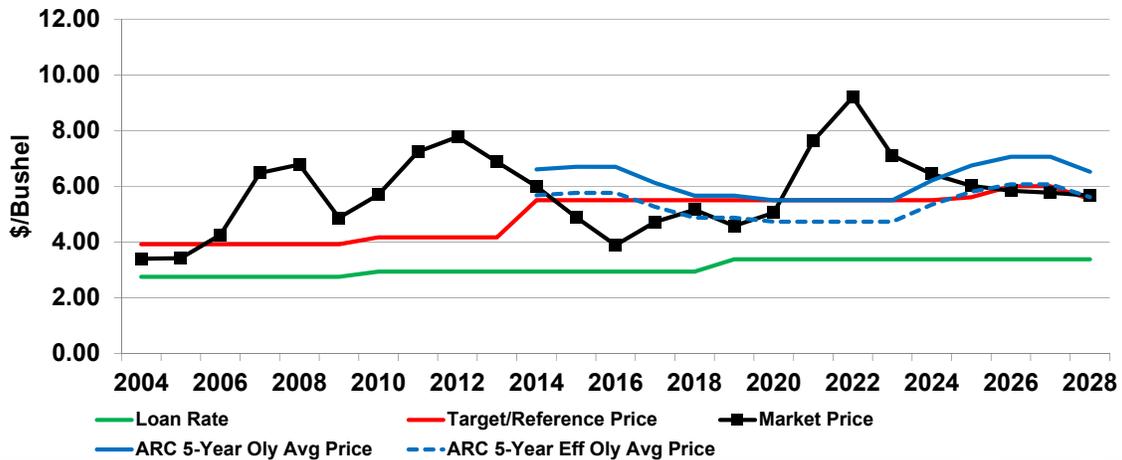


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Farm Income Safety Net

Wheat Prices and PLC Price Protection*



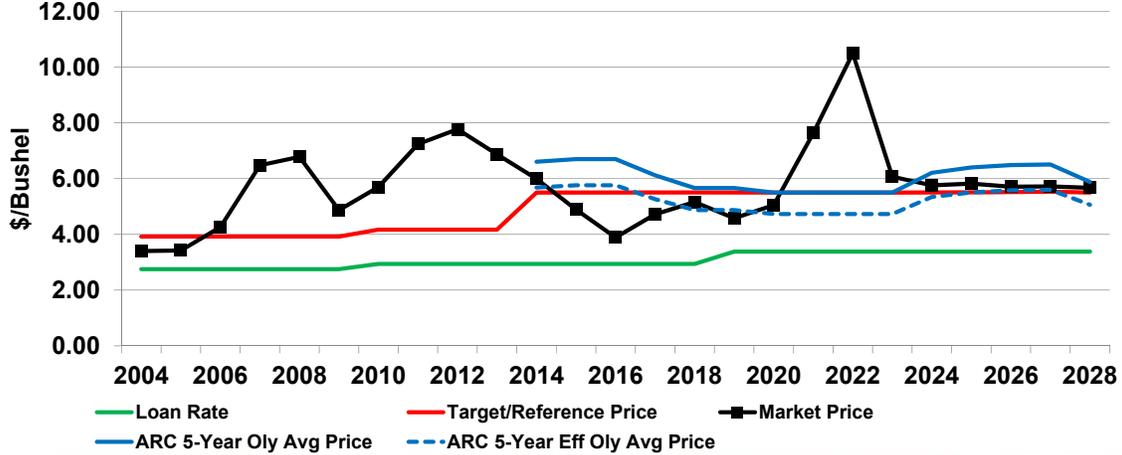
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Farm Income Safety Net

Wheat Prices and ARC Price Protection*

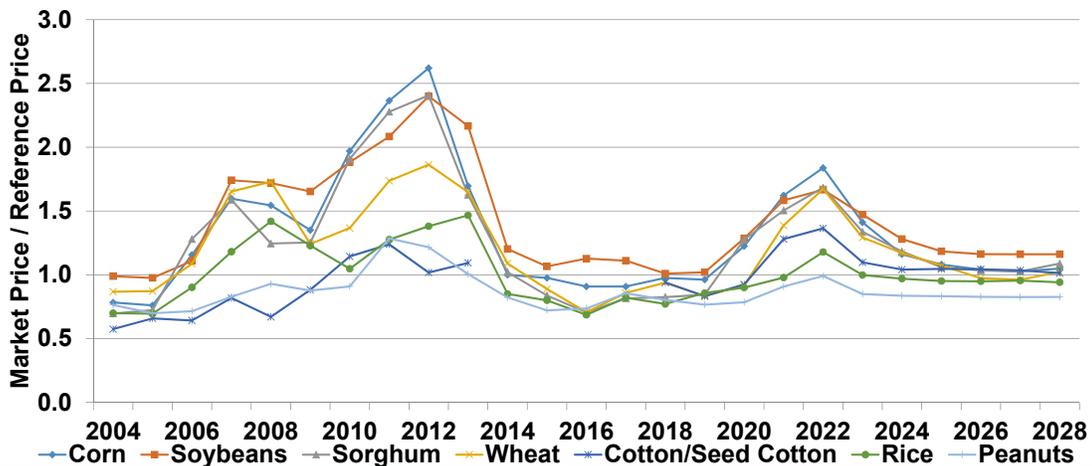


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Price Safety Net Signals

Market Prices vs. Reference Prices



* Price projections for 2021-2022 from USDA-WAOB and USDA-FSA as of September/October 2022. Price projections for 2023-2028 from FAPRI as of August 2022. Sources: USDA-FSA, USDA-NASS, USDA-WAOB, and FAPRI and author calculations.





PLC and ARC

Projected 2022 Crop Payment Rates (Paid in 2023)*

Commodity	Effective Reference Price	ARC Benchmark Price	Projected National Marketing Year Average Price	Projected PLC Payment Rate	Projected % Price Change Needed to Trigger PLC	Projected % Price Change from ARC Benchmark	Projected % Revenue Change Needed to Trigger ARC
Corn	\$3.70	\$3.70	\$6.80	\$0.00	-46%	84%	-53%
Grain Sorghum	\$3.95	\$3.95	\$6.65	\$0.00	-41%	68%	-49%
Soybeans	\$8.40	\$9.12	\$14.00	\$0.00	-40%	53%	-44%
Wheat	\$5.50	\$5.50	\$9.20	\$0.00	-40%	67%	-49%

* Payment rates for PLC and trigger levels for PLC and ARC based on projected prices. Projected prices based on USDA-WAOB and USDA-FSA as of October 2022.



Margin Protection

- Margin Protection
 - Higher prices mean safety net tools out of the money
 - Higher input costs putting pressure on margins
 - Margin proposals and concepts
 - Dairy margin coverage
 - Milk price minus feed costs (corn, alfalfa hay, SBM)
 - Margin protection crop insurance
 - Crop revenue minus costs (fuel, fertilizer, and interest subject to fluctuation, other costs fixed)
 - Corn – diesel, urea, DAP, potash, interest
 - Soybeans – diesel, DAP, potash, interest
 - Rice – diesel, urea, DAP, potash, interest
 - Wheat, diesel, urea, MAP, potash, interest



Margin Protection

Price Pressure on Input Costs



Margin Protection

Cost Categories and Statistics (ARMS)

Category	Corn			Soybeans		
	2018-2021 Average	Share of Costs Operating Costs	Total Costs	2018-2021 Average	Share of Costs Operating Costs	Total Costs
Value of Production	\$714.60			\$515.78		
Operating Costs						
Seed	\$93.18	29.1%	13.5%	\$60.65	33.3%	12.1%
Fertilizer	\$114.58	33.1%	16.7%	\$30.69	15.6%	6.1%
Chemicals	\$33.04	10.3%	4.8%	\$36.23	19.9%	7.2%
Fuel, Lube, and Electricity	\$29.32	9.3%	4.3%	\$14.83	8.4%	2.9%
Interest on Operating Capital	\$1.91	1.0%	0.3%	\$1.08	1.0%	0.2%
Other Operating Costs	\$58.83	17.2%	8.4%	\$42.11	21.7%	8.4%
Total Operating Costs	\$330.85		48.1%	\$185.58		36.9%
Fixed Costs (inc. opp. costs)	\$357.13		51.9%	\$317.52		63.1%
Total Costs	\$687.98			\$503.09		
Net Value	\$28.89			\$12.69		



Margin Protection

Example Cost Calculations from Insurance Product



Corn Input Amounts (per Acre)	Urea (lbs./acre)	DAP (lbs./acre)	Potash (lbs./acre)	Diesel (gal/acre)	Costs not subject to price change
Corn Irrigated	(ECY*.83)/.46	(ECY*.35)/.46	(ECY*.25)/.6	(ECY*.10) + 2.5	\$206.90
Corn Non-Irrigated	(ECY*.83)/.46	(ECY*.35)/.46	(ECY*.25)/.6	(ECY*.04) + 2.5	\$206.90

Soybean Input Amounts (per Acre)	Urea (lbs./acre)	DAP (lbs./acre)	Potash (lbs./acre)	Diesel (gal/acre)	Costs not subject to price change
Soybean Irrigated	0	(ECY*.73)/.46	(ECY*1.1)/.6	(ECY*.30) + 2.5	\$111.50
Soybean Non-irrigated	0	(ECY*.73)/.46	(ECY*1.1)/.6	(ECY*.10) + 2.5	\$111.50

Source: <https://www.marginprotection.com>



Margin Protection

Current Insurance Timeline

Figure 1. 2023 Margin Protection Crop Insurance Timeline



farmdocDAILY

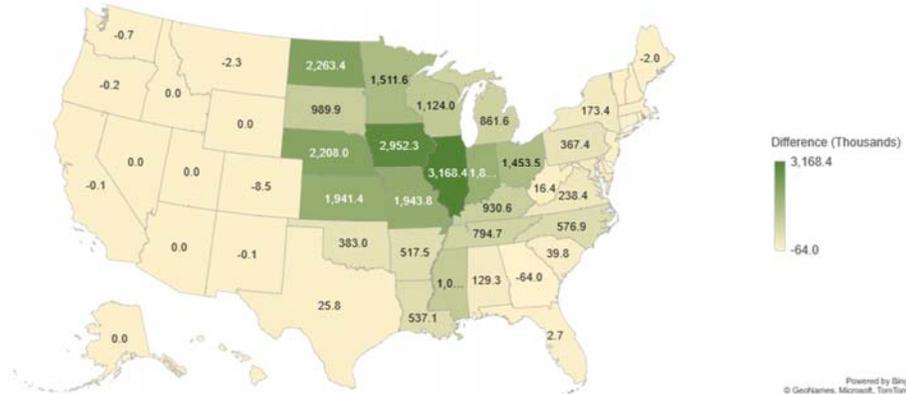
Source: Swanson, K., G. Schnittkey, R. Batts, C. Zuluaf, N. Paulson and J. Baltz. "Margin Protection: Description and a Review of Experience." farmdoc daily (12):131, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 30, 2022.





Planted Versus Base Acreage

2018-2021 Average Planted Acres Minus 2021 Base Acres, Thousands
Soybeans



Sources: USDA-FSA, USDA-NASS, and author calculations



Planted Versus Base Acreage

2018-2021 Average Planted Acres Minus 2021 Base Acres, Thousands
Total Other Than Soybeans



Sources: USDA-FSA, USDA-NASS, and author calculations





Planted Versus Base Acreage

National Totals for 9 Principal Program Crops

Crop	2021 Base Acres	2018-2021 Average Planted Acres	Difference	Percent Difference
Barley	6,229,295	2,676,500	-3,552,795	-57.0
Corn	100,741,093	90,656,250	-10,084,843	-10.0
Oats	2,941,906	2,930,750	-11,156	-0.4
Peanuts	2,594,689	1,526,475	-1,071,214	-41.2
Rice	5,008,456	2,766,000	-2,242,456	-44.8
Seed Cotton	13,862,458	12,785,875	-1,076,585	-7.8
Sorghum	9,830,785	6,181,250	-3,649,535	-37.1
Soybeans	55,868,513	83,989,250	+28,150,767	+50.4
Wheat	69,724,293	46,170,250	-23,554,043	-33.8
Total	266,774,490	249,676,850	-17,097,640	-6.4

Sources: USDA-FSA, USDA-NASS, and author calculations



Planted Versus Base Acreage

Base Acreage Update on Potential Program Payments*

Crop	Planted Acre – Base Acre Difference	2024-2028 Average Projected Max ARC/PLC Payment/Base Acre	Potential Change in Annual Payments
Barley	-3,552,795	\$22.87	-\$81,252,411
Corn	-10,084,843	22.54	-227,332,532
Oats	-11,156	2.45	-27,289
Peanuts	-1,071,214	141.51	-151,585,376
Rice	-2,242,456	70.99	-159,182,996
Seed Cotton	-1,076,585	21.24	-22,864,506
Sorghum	-3,649,535	10.55	-38,517,187
Soybeans	+28,150,767	11.49	+323,395,664
Wheat	-23,554,043	11.92	-280,811,300
Total	-17,097,640	N/A	-\$638,177,933

* Average ARC and PLC payments based on projected payments/base acre from FAPRI as of March 2022. Sources: USDA-FSA, USDA-NASS, FAPRI, and author calculations.





Crop Insurance Program Issues

- Key Issues
 - Largest part of the farm income safety net – largest budget target
 - Expanded livestock insurance support over past 2+ years
 - Ad hoc support and proposed permanent crop disaster assistance
 - Crop insurance targeted for conservation and environmental goals
- Key Elements
 - Premium support
 - Insurance Company A&O
 - Reinsurance
- Alternatives
 - Budget Neutral
 - Status Quo
 - Budget Cost
 - Expanded programs and provisions
 - Budget Savings
 - Subsidy cuts, limits, eligibility
 - A&O and reinsurance changes



Conservation Programs Issues

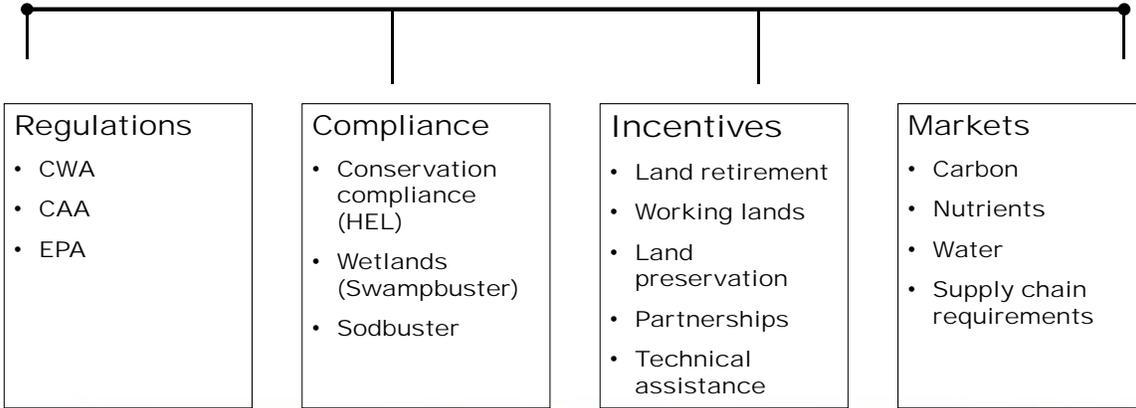
- Key Issues
 - Budget shift toward working lands
 - Major spending proposals and priorities for climate smart practices
- Details
 - CRP
 - Working Lands – EQIP and CSP



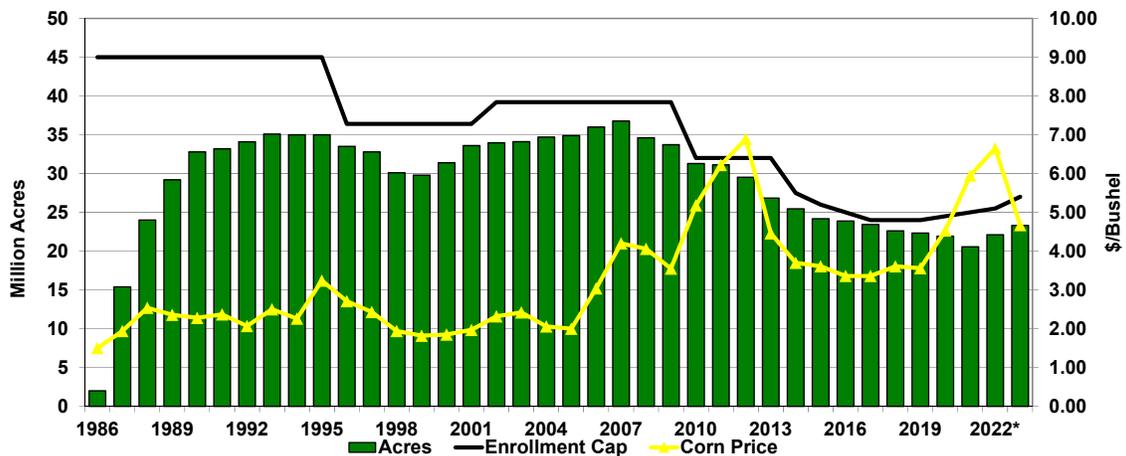
Conservation and Environmental Policy Approaches

Government Led

Market Driven



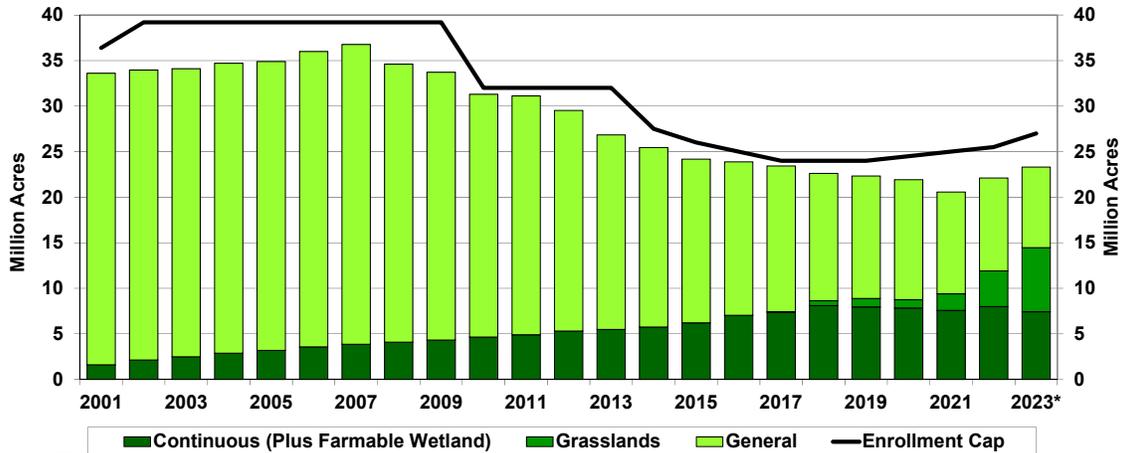
Conservation Reserve Program Acreage vs. Corn Price



Sources: USDA-FSA and USDA-NASS



Conservation Reserve Program Acreage by Category



Sources: USDA-FSA and author calculations



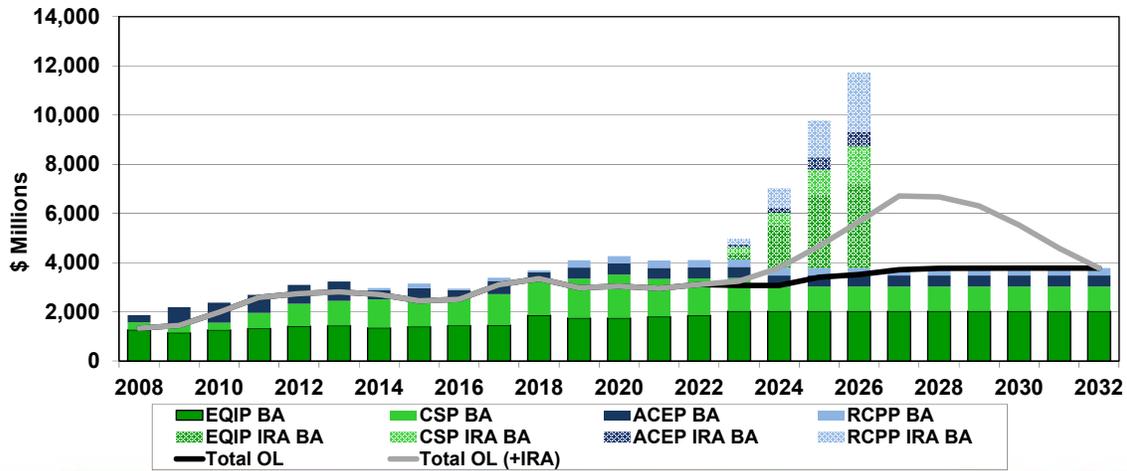
Conservation Spending

- Inflation Reduction Act
 - \$17+ B in funding allocated through existing conservation programs
 - EQIP, CSP, ACEP, and RCPP
 - \$1.4 B for additional technical assistance
 - Focus on climate smart practices
 - Reduced enteric fermentation
 - Soil carbon improvement
 - Reduced nitrogen losses
 - Reduced, captured, avoided, or sequestered GG emissions
- Climate Smart Commodities
 - USDA administrative action using CCC funding
 - February announcement of \$1 B commitment
 - September announcement of Partnerships for Climate-Smart Commodities
 - \$2.8 B committed for 70 projects



Conservation Programs (Less CRP)

Budget Authority, Outlays, and IRA Impacts



Sources: CBO and author calculations



Climate Smart Practices

- Existing Climate-Smart Practices (CSP) as an example
 - Soil health
 - Nitrogen management
 - Livestock partnership
 - Grazing and pasture
 - Agroforestry, forestry, and upland wildlife habitat
 - Restoration of disturbed lands



PDF document available on the web as a link on the NRCS CSP page:
www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/

Short URL to PDF document at: go.unl.edu/dvp7



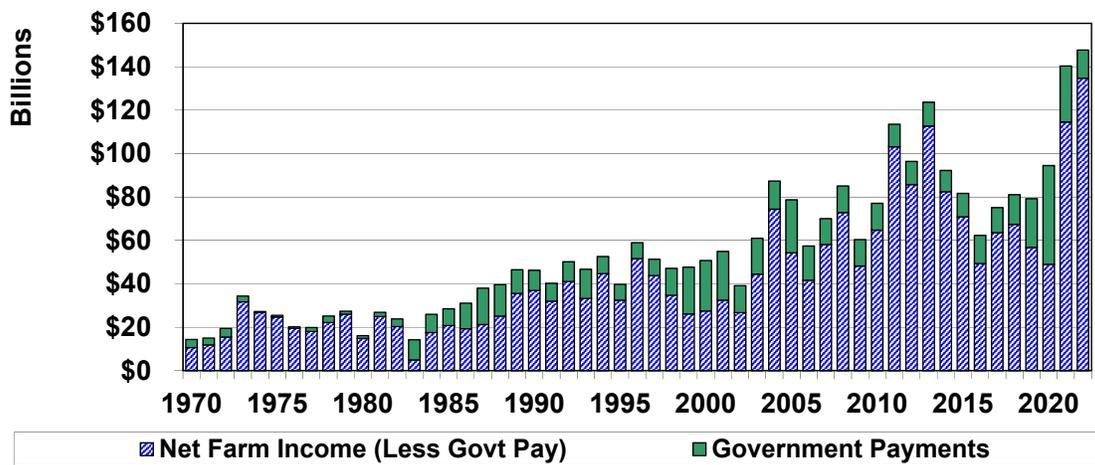
The Ag Policy Outlook



- Policy Drivers
 - Economics
 - Budget
 - Trade
 - Politics

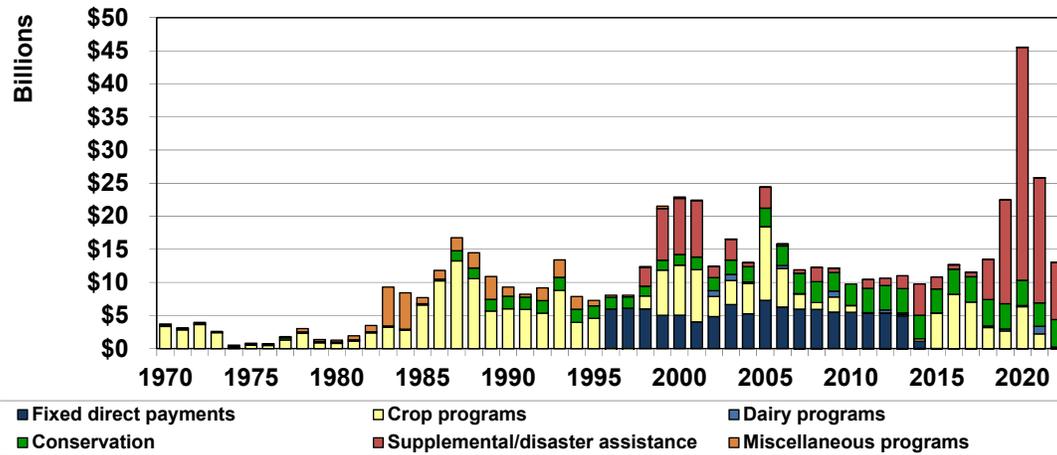


U.S. Net Farm Income





U.S. Government Payments

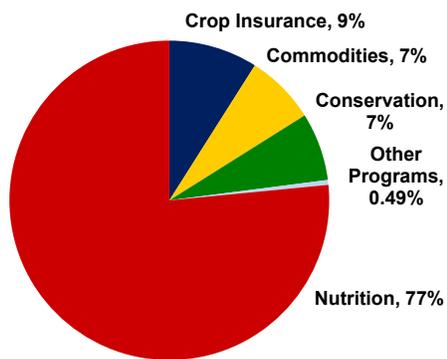


Sources: USDA-ERS and author calculations, February 2022



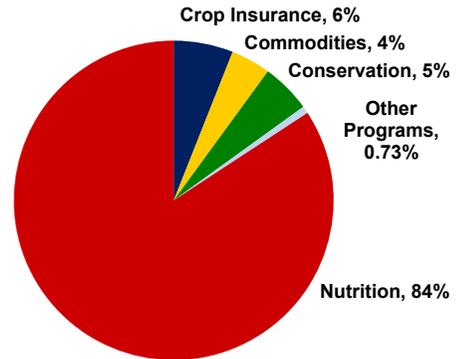
Farm Bill Budget Projected Outlays

2018 Farm Bill at Enactment,
FY2019-2028



Total 10-Year Baseline: \$663,828 Million

2022 Baseline Projection,
FY2023-2032



Total 10-Year Baseline: \$1,295,154 Million

Sources: Congressional Research Service and Congressional Budget Office, May 2022



Farm Bill Budget Issues

Program vs. Ad Hoc Spending and Budget Baselines

- Commodity Programs
 - 2018-2022 spending of \$16.4 B in farm bill program payments vs. \$84.4 B in supplemental and ad hoc program payments for trade, pandemic, and disaster relief
 - FY2023-2032 baseline of \$56.2 B (no baseline for ad hoc programs)
- Crop Insurance
 - Pandemic-related relief provided cover crop incentives on crop insurance acres
 - FY2023-2032 baseline of \$79.8 B
- Conservation Programs
 - IRA funding of \$17+ B over FY2023-2026 for climate-smart practices
 - FY2023-2032 baseline of \$59.2 B
- Nutrition
 - FY2019-2028 baseline of \$663.8 B (at passage of 2018 Farm Bill) vs. FY2023-2032 baseline of \$1,090.5 B
- Rural Development and Energy
 - IRA funding of \$13 B in farm energy programs vs. FY2023-2032 baseline of \$500 M
 - IIJA funding of \$60 B for broadband, including \$2 B to USDA vs. FY2023-2032 baseline of <\$1 B



Questions? Answers?

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