

Farm Bill and Coronavirus Food Assistance Program Update

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Recap of 2020 farm payments

Third “tranche” of 2019 MFP payments announced/paid early February

CFAP 1: payments made May 26th, 2020 – Sept 11th, 2020 (\$16 B projected, \$10 B paid)

CFAP 2: payments made Sept. 21st – Dec. 11th, 2020 (\$13.2 B projected)

2018 Farm Bill Program ARC/PLC:

- Payments made in early Oct. for 2019/2020 crop marketing year
- Opportunity to make new election decision Oct. 15th- Mar. 15th, 2021 for the 2021 harvested crop

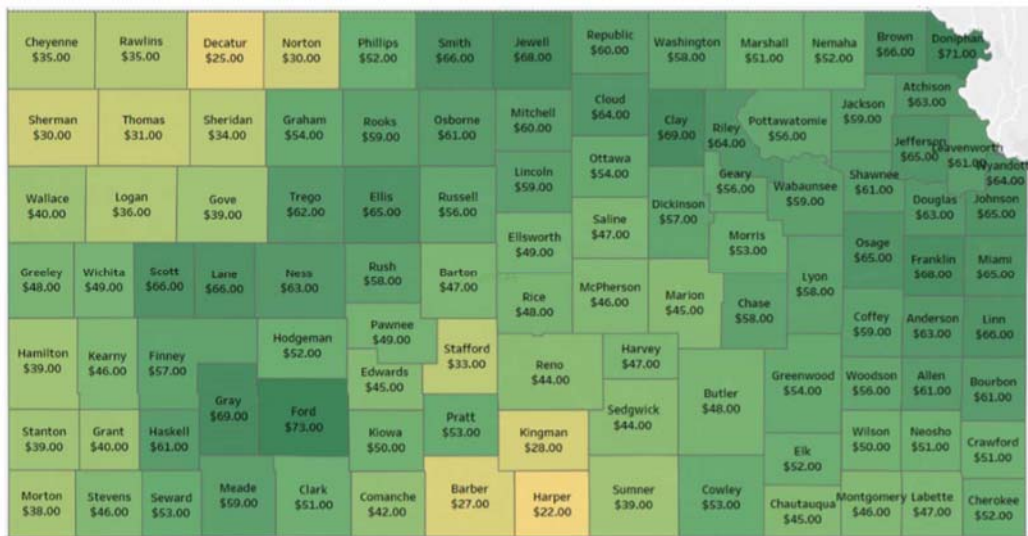


MFP

- Market Facilitation Payments (trade war with China), first paid in 2018 (\$1.65/bu. Soybeans, \$0.01 for corn)
- 2019 MFP had one county rate, paid on 2019 planted acres. First 50% was received in Aug. 2019, second in mid-Nov. 2019
 - Only dairy/hogs included in livestock payments
- <https://www.agmanager.info/crop-insurance/risk-management-strategies/usda-publishes-market-facilitation-program-mfp-payment>
- \$14.5 Billion paid out nationally
 - \$1 Billion in Kansas



2019 MFP County Payment Rates



CFAP 1

- Loss determined by futures price decline from Jan. 13-17th to April 6-9th
 - Hard Red Winter Wheat was not included
- Paid on “unpriced” 2019 inventory in storage on Jan. 15th (not to exceed 50% of 2019 production)

	CARES Rate	CCC Rate
Corn	\$0.32	\$0.35
Sorghum	\$0.30	\$0.32
Soybeans	\$0.45	\$0.50



CFAP 1

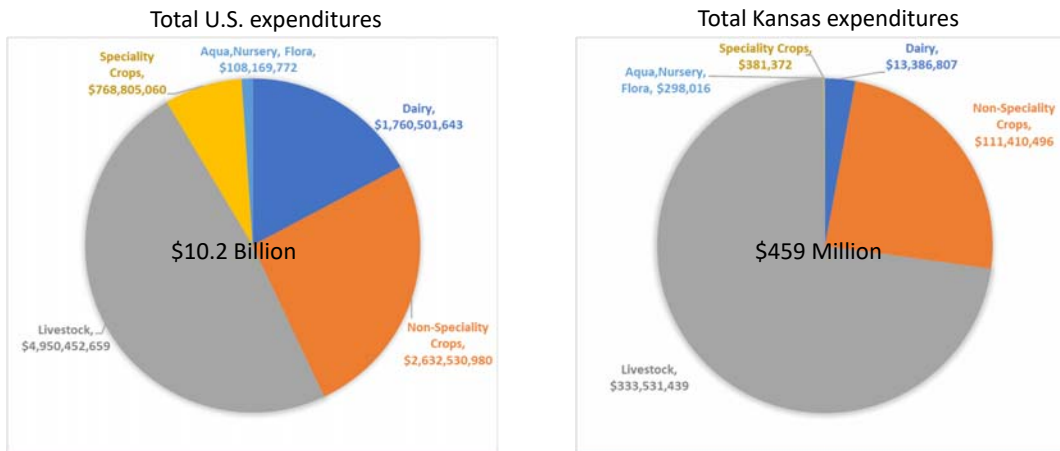
Paid on market and breeding animals!

Cattle sold between Jan. 15th and April 15th, 2020
 Unpriced highest cattle inventory between April 16th and May 14th, 2020

Livestock	Eligible Livestock	Unit of Measure	CARES Act Part 1 Payment Rate	CCC Part 2 Payment Rate
Cattle	Feeder Cattle: Less than 600 Pounds	Head	\$102.00	\$33.00
	Feeder Cattle: 600 Pounds or More	Head	\$139.00	\$33.00
	Slaughter Cattle: Fed Cattle	Head	\$214.00	\$33.00
	Slaughter Cattle: Mature Cattle	Head	\$92.00	\$33.00
	All Other Cattle	Head	\$102.00	\$33.00



CFAP 1



CFAP 2

- Loss determined by futures price decline from Jan. 13-17th to July 27-31st
 - All classes of wheat combined, alfalfa included as a flat rate \$15/acre commodity
- Paid on 2020 planted acres and farmer APH, minimum of \$15/acre

	Payment Rate	Crop Marketing Percentage	Effective Payment Rate
Corn	\$0.58	40%	\$0.232
Soybeans	\$0.58	54%	\$0.313
Wheat	\$0.54	73%	\$0.394
Sorghum	\$0.56	55%	\$0.308

Corn Example: $40\% * \$0.58 * 150 \text{ APH} = \34.80 per acre



Corn Examples		
APH	Effective Rate	Payment per acre
100	\$0.232	\$23.20
120	\$0.232	\$27.84
140	\$0.232	\$32.48
160	\$0.232	\$37.12
180	\$0.232	\$41.76
200	\$0.232	\$46.40

Soybean Examples		
APH	Effective Rate	Payment per acre
30	\$0.313	\$9.39
40	\$0.313	\$12.52
50	\$0.313	\$15.66
60	\$0.313	\$18.79
70	\$0.313	\$21.92
80	\$0.313	\$25.06

Sorghum Examples		
APH	Effective Rate	Payment per acre
40	\$0.308	\$12.32
60	\$0.308	\$18.48
80	\$0.308	\$24.64
100	\$0.308	\$30.80
120	\$0.308	\$36.96
140	\$0.308	\$43.12

Wheat Examples		
APH	Effective Rate	Payment per acre
30	\$0.394	\$11.82
40	\$0.394	\$15.77
50	\$0.394	\$19.71
60	\$0.394	\$23.65
70	\$0.394	\$27.59
80	\$0.394	\$31.54

**Any payment per acre less than \$15.00 per acre will receive \$15.00 per acre*



Beef Cattle

- \$55 per head
- Paid based on highest owned inventory on date selected between Apr. 16th and Aug. 31st, 2020
 - Excludes breeding stock



- Hogs/Pigs \$23 per head, Sheep Lambs \$27 per head
- Dairy Cows (\$1.20 per cwt Apr-Aug. production & estimated Sept-Dec. production)
- Broilers \$1.01 per bird, rates for each type of egg
- Fruits, Vegetables, Horticulture, Tree Nuts, Honey, etc.
 - <https://www.farmers.gov/cfap/specialty>
- Floriculture, Nursery, Cactus, Christmas trees
- Goat milk, Wool, Aquaculture, Tobacco
- Specialty Livestock consists of animals commercially raised for food, fur, fiber, or feathers, and includes: alpacas, bison, buffalo, beefalo, deer, ducks, elk, emus, geese, goats, guinea pigs, llamas, mink (including pelts), mohair, ostrich, pheasants, quail, rabbits, reindeer, and turkey
 - Excludes all equine, breeding stock, companion or comfort animals, pets, and animals raised for hunting or game purposes.



Specialty crops/livestock/etc.

2019 Sales Range	Percent Payment Factor for the Producer's 2019 Sales of Eligible Commodities Falling in the Range
\$0 to \$49,999	10.6%
\$50,000 to \$99,999	9.9%
\$100,000 to \$499,999	9.7%
\$500,000 to \$999,999	9.0%
Sales over \$1 million	8.8%

Example: A producer's 2019 sales of eligible commodities totaled \$75,000. The payment is calculated as (\$49,999 times 10.6%) plus (\$25,001 times 9.9%) equals a total payment of \$7,775.



CFAP 2 (as of Oct. 13th)

- Total payments made : \$4.5 Billion of 13.2 Billion estimated

- Kansas: \$206 Million

 - \$125 M in row crops

 - \$77.6 M in livestock

 - \$2.3 M in dairy

 - \$979,584 in “sales commodities”

 - \$2,318 in eggs/broilers



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ARC/PLC for 2019/2020 & 2020/2021

- Made an election by March 15th, 2020 that locked you in for 2 years

 - Crop harvested in 2019, paid out in early Oct. 2020

 - Crop harvested in 2020, paid out in early Oct. 2021

- Will make an election Oct. 13th, 2020 – March 15th, 2021 for 2021 crop

 - Annual elections for the remainder of this farm bill coinciding with spring crop insurance deadline



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PLC payments for 2019/2020

Crop	Marketing Year	2019/2020 MYA	PLC Payment Rate
Wheat	June 1, 2019- May 31, 2020	\$4.58	\$0.92
Corn	Sept. 1, 2019 – Aug. 31, 2020	\$3.56	\$0.14
Grain Sorghum	Sept. 1, 2019 – Aug. 31, 2020	\$3.34	\$0.61
Soybeans	Sept. 1, 2019 – Aug. 31, 2020	\$8.57	\$0.00

PLC payment = PLC Payment Rate

- * Established Farm Level Yield with FSA
- * 85% of base acres for that crop
- * 5.9% budget sequestration



ARC payments for 2019/2020

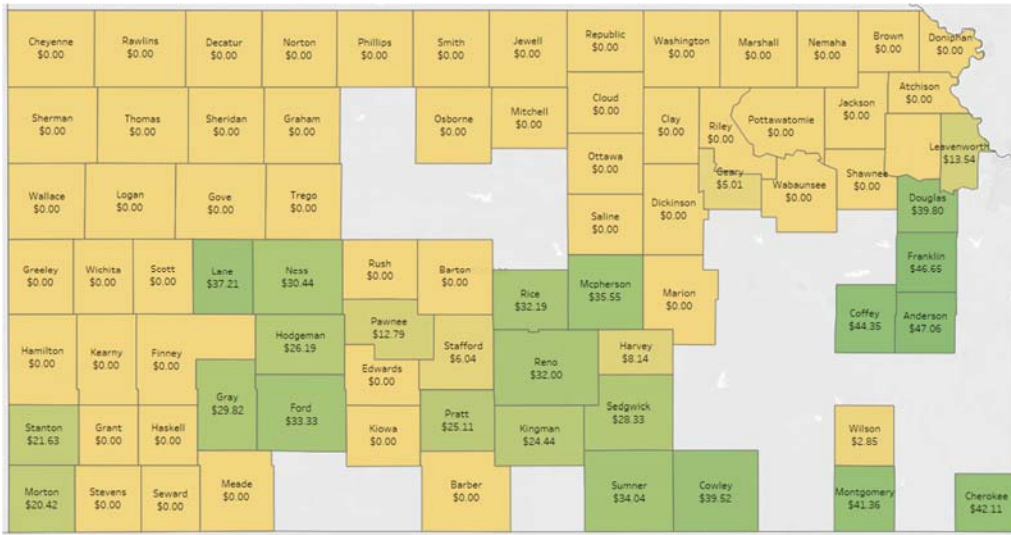
Crop	Marketing Year	2019/2020 MYA
Wheat	June 1, 2019- May 31, 2020	\$4.58
Corn	Sept. 1, 2019 – Aug. 31, 2020	\$3.56
Grain Sorghum	Sept. 1, 2019 – Aug. 31, 2020	\$3.34
Soybeans	Sept. 1, 2019 – Aug. 31, 2020	\$8.57

ARC payment = Guaranteed Revenue – Actual Revenue

= (86% of 5-year Olympic Avg. MYA Price and **County-level Yield**) – (2019/2020 MYA * 2019 **County Yield**)



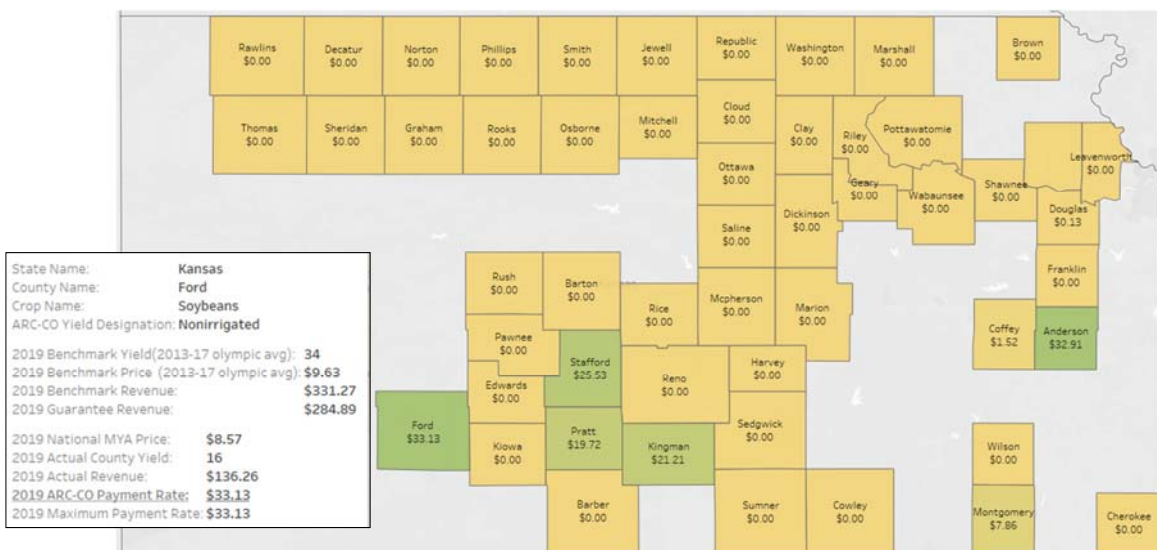
2019/2020 ARC-County Payment Rates, Non-irrigated Corn



<https://www.agmanager.info/ag-policy/arc-co-historical-payment-maps>

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2019/2020 ARC-County Payment Rates, Non-irrigated Soybeans



<https://www.agmanager.info/ag-policy/arc-co-historical-payment-maps>

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2019/2020 ARC-County Payment Rates, Combined Soybeans



<https://www.agmanager.info/ag-policy/arc-co-historical-payment-maps>

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Example Farm-2020 Gov. Payments received

37,500 bu. corn and 13,500 bu. Soybeans in storage on Jan. 15th, 2020

1,600 dryland Tillable acres and 100 cows (4 bulls and 15 replacement heifers)

2019/2020 planted acres: 600 acres of corn (125 bu. APH), 600 acres of soybeans (45 bu. APH), 400 of wheat (40 bu. APH)

Base acres are 500 of corn (PLC yield 125 bu.), 400 of wheat (PLC yield 40 bu.), 500 of soybeans in ARC-CO but received no payment

2019 MFP (3rd tranche): **\$20,000**

CFAP 1: **\$26,202**

CFAP 2: **\$39,032**

ARC/PLC: **\$19,950**

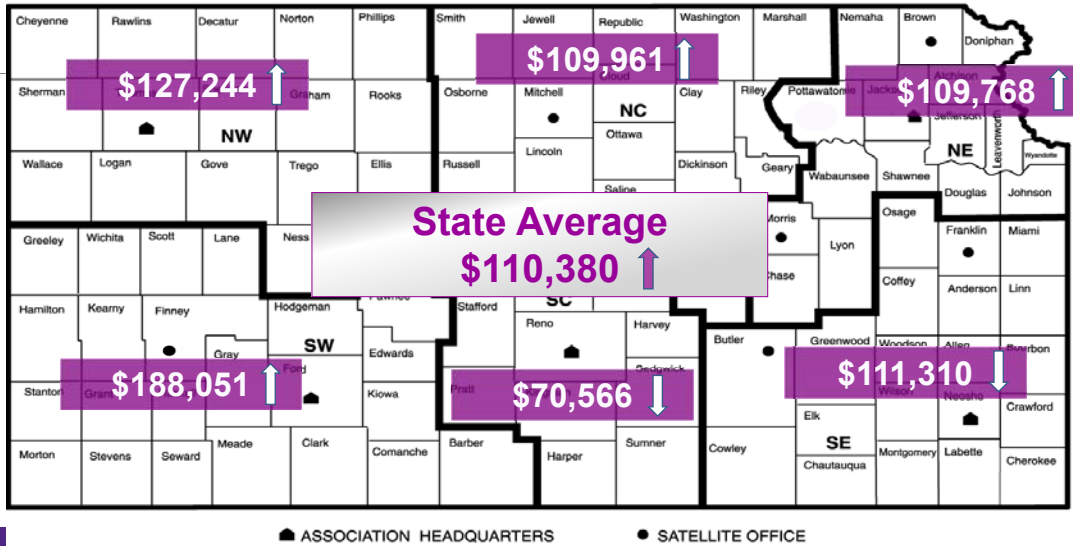
\$105,184



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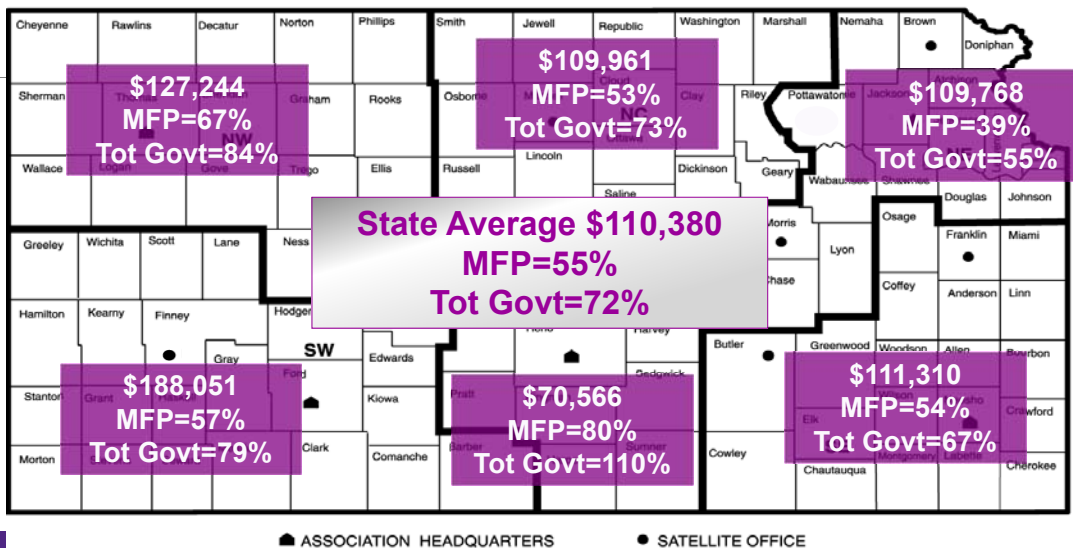
Kansas Farm Management Association 2019 Net Farm Income



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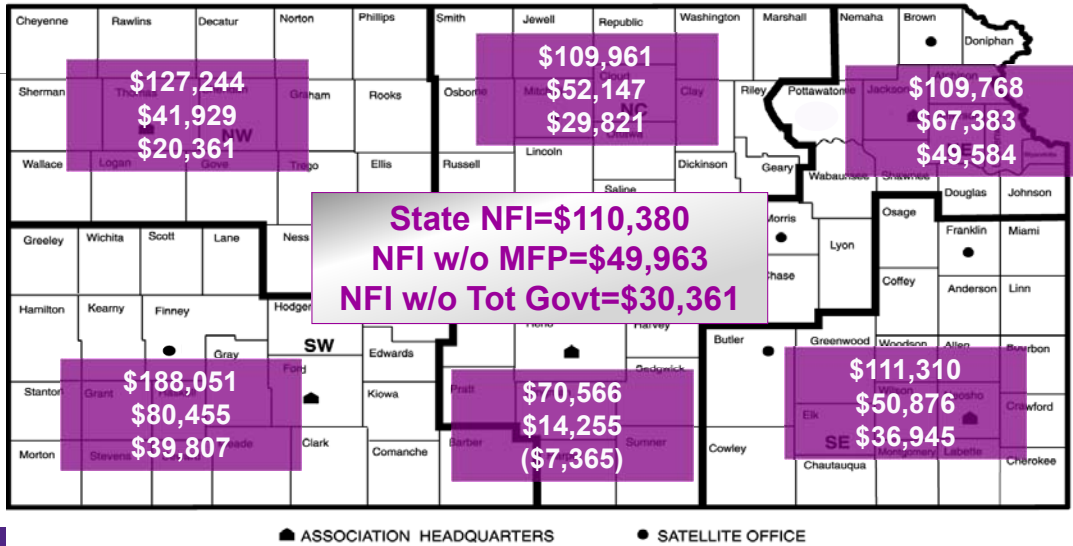
Kansas Farm Management Association 2019 Net Farm Income



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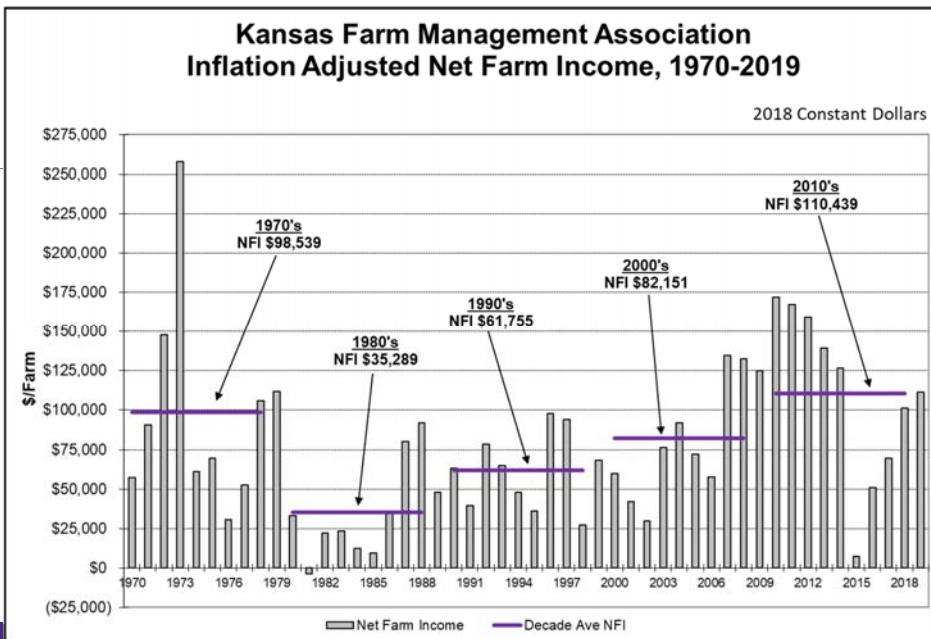
Kansas Farm Management Association 2019 NFI with and without Gov't Pymts



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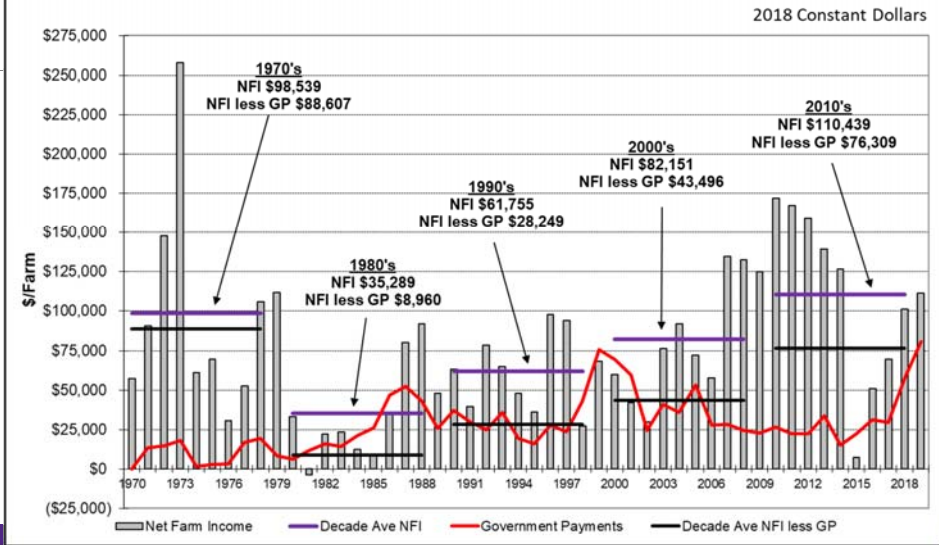
Kansas Farm Management Association Inflation Adjusted Net Farm Income, 1970-2019



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Kansas Farm Management Association Inflation Adjusted Net Farm Income, 1970-2019



ARC/PLC for 2020/2021

Table 1: Estimated MYA 2020/21 Wheat Price For Calculating 2020/2021 ARC and PLC Payments (9/30/20)

Estimated MYA Price(s)	Est 20/21	Est Wt.*	
June	4.56	13.5	Last Month 20/21 Est MYA price
July	4.54	17.9	2020 ARC Reference Price
August	4.55	13.5	MYA Price 18/19 \$5.16
Forecast September	4.89	8.9	MYA Price 17/18 \$4.72
Forecast October	4.89	6.0	MYA Price 16/17 \$3.89
Forecast November	4.89	5.0	MYA Price 15/16 \$4.89
Forecast December	4.96	7.9	MYA Price 14/15 \$5.99
Forecast January 21	4.96	8.8	5 Yr. Olympic Average
Forecast February	4.96	5.0	Reference Price for 2020 ARC \$5.50
Forecast March	5.00	5.0	ARC 14% Deductible Price \$4.73
Forecast April	5.00	4.4	
Forecast May	4.99	4.0	PLC Reference Price \$5.50
Estimated 20/21 MYA price	\$4.76		Estimated PLC Payment \$0.74

*The 20/21 monthly prices in black are NASS published prices, 20/21 monthly prices in red are K-State estimates. Weights are a five-year average, 2015-2019.



ARC/PLC for 2020/2021

	Wheat	Corn	Grain Sorghum	Soybeans
K-State	\$4.76	-	-	-
USDA WASDE	\$4.50	\$3.50	\$3.50	\$9.25
USDA Long-term	\$4.80	\$3.40	\$3.00	\$8.85
FAPRI-MU (baseline)	\$4.55	\$3.24	\$3.22	\$8.24
USDA ERS	\$4.73	\$3.59	-	\$9.56
<i>PLC trigger price</i>	<i>\$5.50</i>	<i>\$3.70</i>	<i>\$3.95</i>	<i>\$8.40</i>
<i>ARC trigger price (assuming avg. county yield)</i>	<i>\$4.73</i>	<i>\$3.18</i>	<i>\$3.40</i>	<i>\$7.96</i>



<https://www.agmanager.info/crop-insurance/risk-management-strategies>

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ARC/PLC for 2021/2022

	Wheat	Corn	Grain Sorghum	Soybeans
USDA Long-term	\$4.90	\$3.40	\$3.00	\$8.45
FAPRI-MU (baseline)	\$4.72	\$3.39	\$3.29	\$8.69
<i>PLC trigger price</i>	<i>\$5.50</i>	<i>\$3.70</i>	<i>\$3.95</i>	<i>\$8.40</i>
<i>ARC trigger price (assuming avg. county yield)</i>	<i>\$4.73</i>	<i>\$3.18</i>	<i>\$3.40</i>	<i>\$7.70</i>



<https://www.agmanager.info/crop-insurance/risk-management-strategies>

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Supplemental Coverage Option (SCO)

- Available to many more producers now that more base acres are in PLC
- Does it pay to purchase it?
 - Long-run you would assume to make money since premiums are subsidized 65%
 - County based trigger less desirable
- Are base acres small compared to planted acres?
 - SCO applies to **planted acres**. ARC paid on **85% of base** acres
 - SCO could be more attractive when *base acres* << *planted acres*
- Is APH yield far less than expected yield?
 - Newly farm with little/no yield history?
 - APH history full of T-yields might understate likely yield outcomes
 - Understated APH yield means individual coverage providing less effective protection



Questions?

