

AED Economics Outlook Conference: 2018 Farm Bill Outlook



Carl Zulauf
Emeritus Professor, Ohio State University

Columbus, Ohio — November 8, 2017

Big Picture Perspective on Next Farm Bill

- ▶ Congress is expected to enact a new farm bill.
- ▶ Farm bill action will likely happen in 2018 as tax reform and Fiscal Year 2018 appropriations are Congressional foci this fall.
- ▶ Broad general tone is to make limited changes in all farm bill titles.
- ▶ Difficult issues exist, with cotton and dairy policy being the most prominent. A key question: “Who pays the nontrivial costs of change, especially for dairy?” A 2nd possible path has emerged: change cotton and dairy policy via FY2018 appropriations bill, which would likely increase budget baseline. Which path is taken is important.
- ▶ Should 24 million acre cap on Conservation Reserve Program (CRP) be increased? Water quality is also drawing attention. Increasing CRP with emphasis on water quality may be a compromise.
- ▶ Other initiatives exist, with research and trade promotion drawing attention. Same key question, “Where will the money come from?”

Farm Safety Net Payments to Farms, Billion \$, 2014-2016 Crops

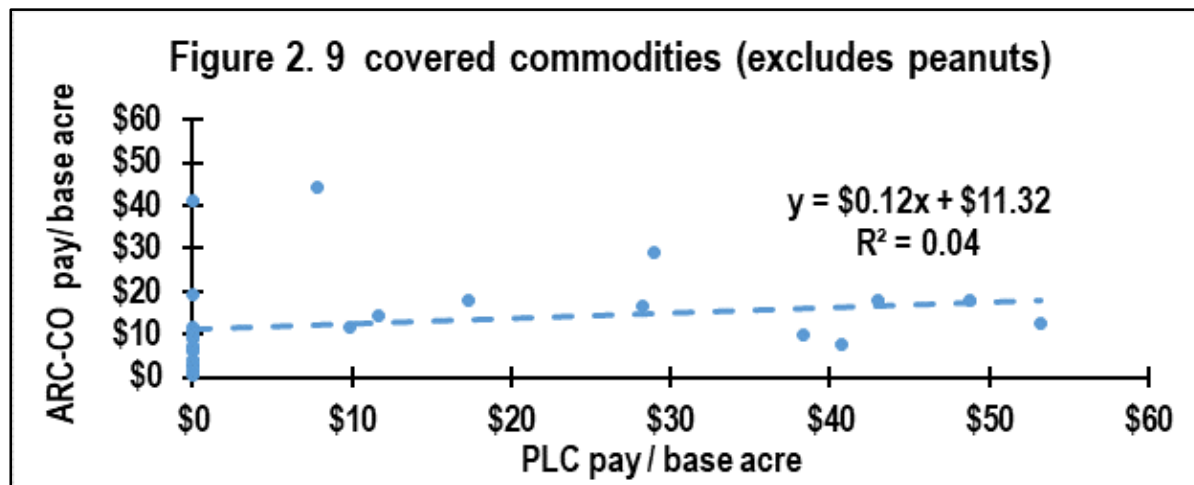
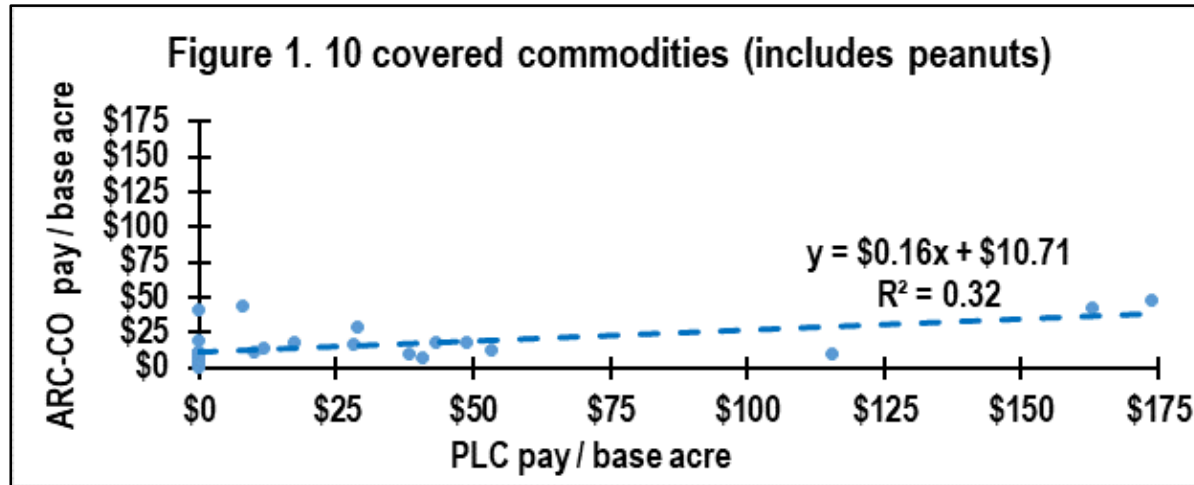
| | ARC | PLC | net farm insurance indemnities | Total |
|--------------------------|----------------|---------------|--------------------------------|----------------|
| Corn | \$10.55 | \$0.25 | \$2.23 | \$13.03 |
| Peanuts | \$0.01 | \$1.35 | \$0.17 | \$1.53 |
| Rice | \$0.01 | \$0.94 | \$0.34 | \$1.29 |
| Soybeans | \$1.61 | \$0.00 | -\$1.37 | \$0.24 |
| Wheat | \$1.63 | \$1.73 | \$1.94 | \$5.30 |
| All Program Crops | \$14.01 | \$5.01 | \$8.07 | \$27.09 |

NOTE: ARC is Agriculture Risk Coverage program. PLC is Price Loss Coverage program. ARC and PLC payments for 2016 crops are currently available only for barley, canola, corn, lentils, oats, peanuts, dry peas, grain sorghum, soybeans, and wheat. Rice has not yet received 2016 ARC and PLC payments.

Forecast of Farm Program Payments, 2017 Crop

| crop | 2017 estimated payment per base acre, U.S. yield | | price ratio: reference to WASDE 2017 range | |
|--------------------|---|------|---|------|
| | PLC | ARC | Low | High |
| corn | \$52 | \$10 | 132% | 103% |
| soybeans | \$0 | \$0 | 101% | 84% |
| wheat | \$32 | \$19 | 125% | 115% |
| barley | \$17 | \$24 | 120% | 96% |
| oats | \$0 | \$16 | 107% | 87% |
| sorghum | \$56 | \$19 | 158% | 120% |
| peanuts | \$218 | \$55 | NA | NA |
| rice – long | \$76 | \$0 | 117% | 108% |
| rice –medium/short | \$66 | \$84 | 115% | 106% |
| rice – Japonica | \$6 | \$18 | 104% | 98% |

ARC-CO vs. PLC payment per base acre by year, 2014-2016 crop years



Where will money come from?

- ▶ **Some new money will be added.**
- ▶ **Option: cut SNAP food assistance.**
- ▶ **Option: mandatory base acre update.**
- ▶ **Option: cut crop insurance.**

THANK YOU!

QUESTIONS?

Farm Program and Market Prices, 2014-2016 Crops

| crop | loan rate | reference price | average 2014-16 crop year price | ratio: reference to crop price |
|--------------------------|-----------|-----------------|---------------------------------|--------------------------------|
| corn (bu) | \$1.95 | \$3.70 | \$3.56 | 104% |
| soybeans (bu) | \$5.00 | \$8.40 | \$9.51 | 88% |
| wheat (bu) | \$2.94 | \$5.50 | \$4.92 | 112% |
| barley (bu) | \$1.85 | \$4.90 | \$5.26 | 93% |
| oats (bu) | \$1.33 | \$2.40 | \$2.46 | 97% |
| sorghum (bu) | \$1.95 | \$3.95 | \$3.40 | 116% |
| peanuts (lb) | \$0.1775 | \$0.2675 | \$0.2033 | 132% |
| rice: long (cwt) | \$6.50 | \$14.00 | \$10.87 | 129% |
| rice: medium/short (cwt) | \$6.50 | \$14.00 | \$11.93 | 117% |
| rice – Japonica (cwt) | \$6.50 | \$16.10 | \$17.77 | 91% |