



# 2018 Farm Bill



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CHIEF ECONOMIST, AMERICAN FARM BUREAU FEDERATION

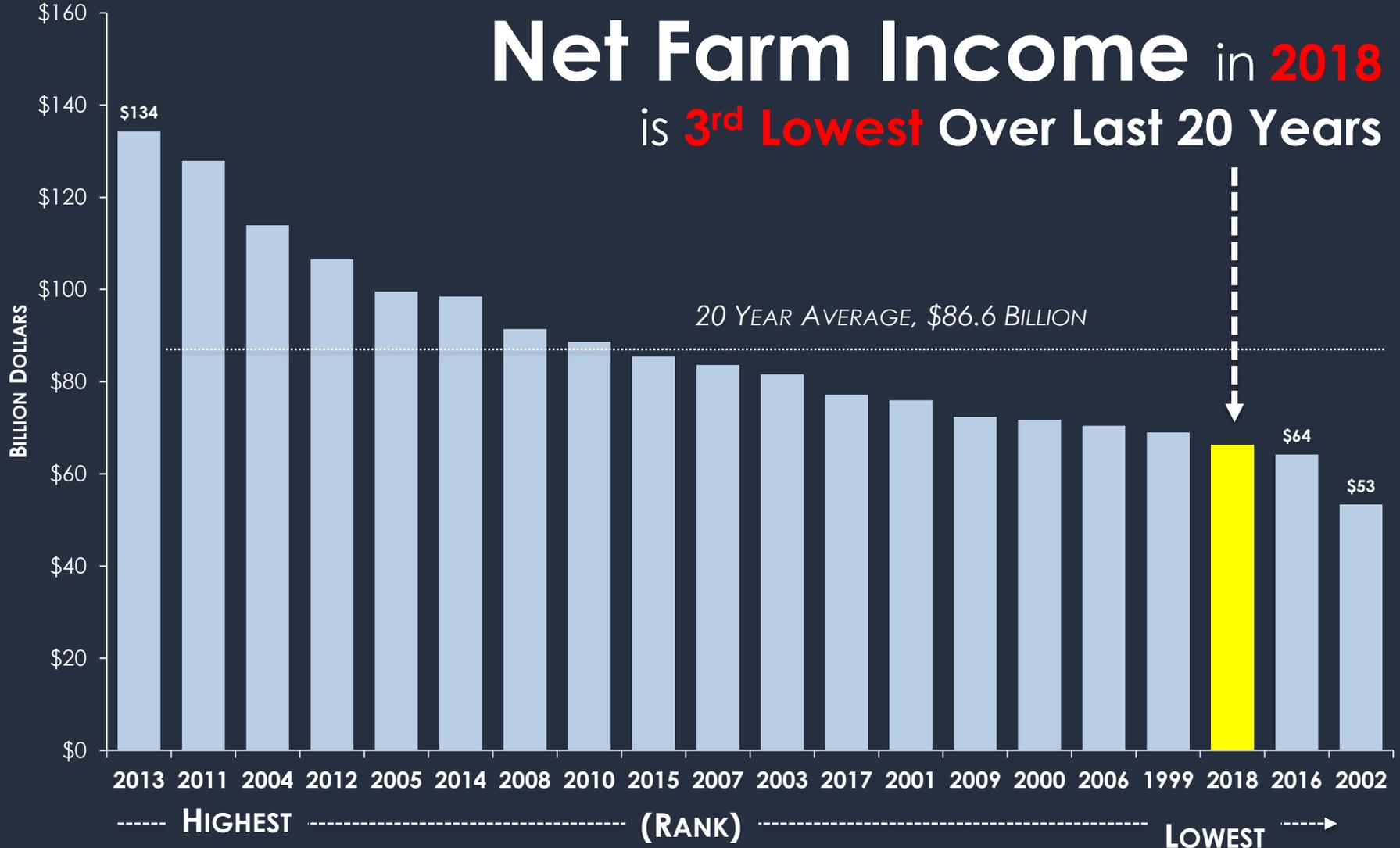


# \$66.3 Billion

Inflation Adjusted

## Net Farm Income in 2018

is **3<sup>rd</sup> Lowest** Over Last 20 Years



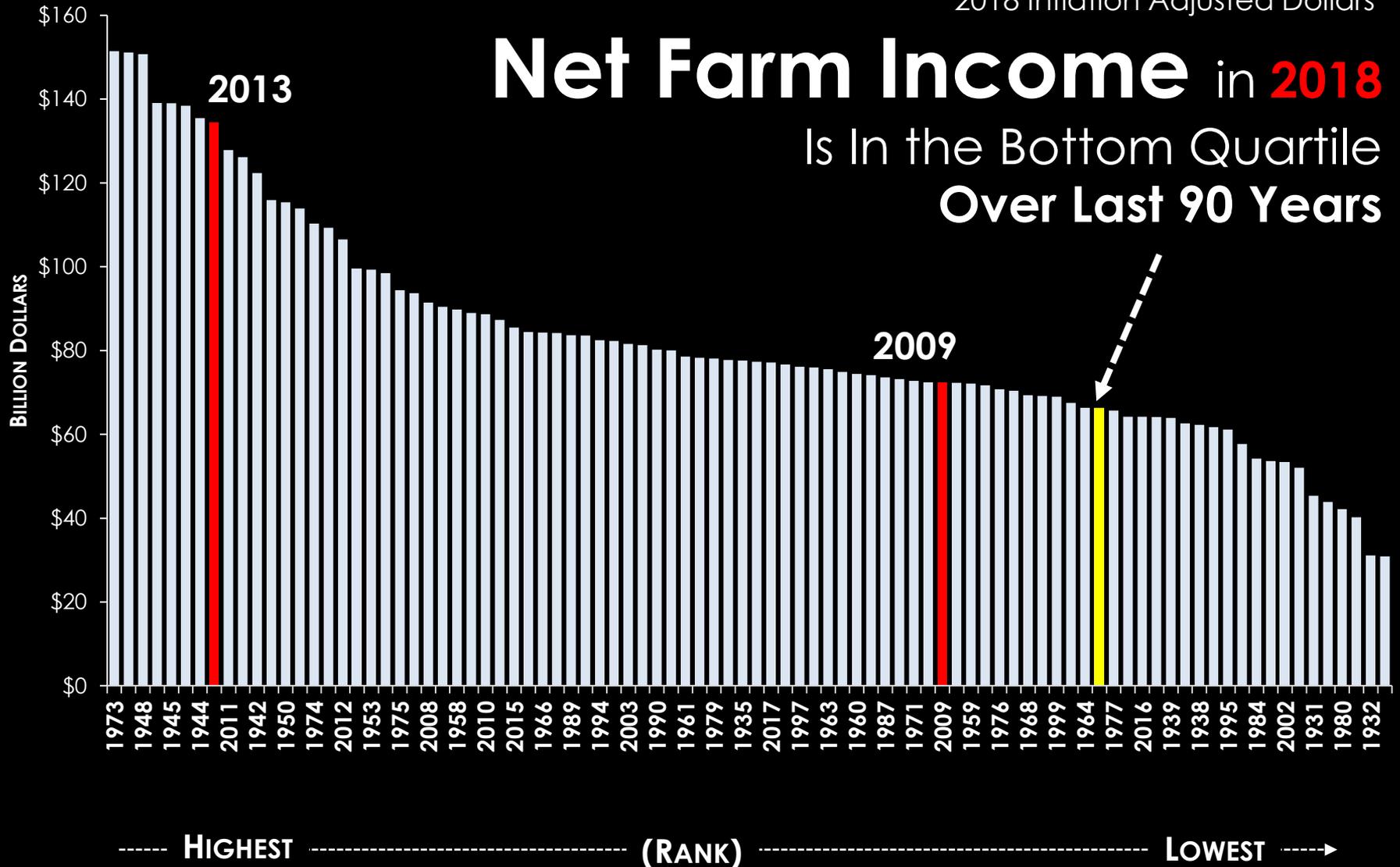


# \$66.3 Billion

2018 Inflation Adjusted Dollars

## Net Farm Income in 2018

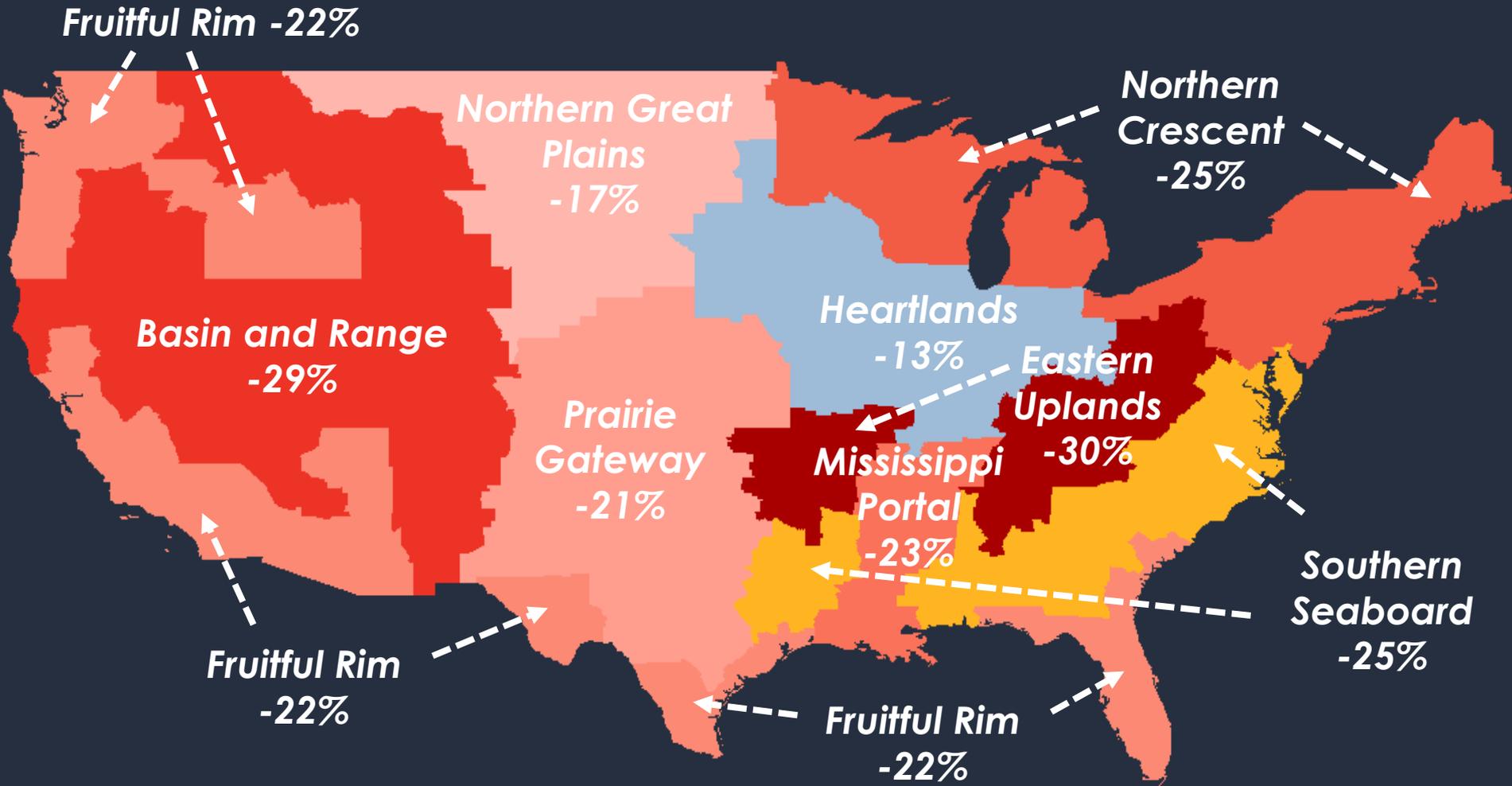
Is In the Bottom Quartile  
Over Last 90 Years



Source: USDA ERS, Farm Bureau Analysis, \*Net Farm Income in 2018 Less Total Government Payments

# Average Decline in Net Cash Income, 2017 to 2018F

U.S. -12% from 2017 and -32% from 2013



Includes cash receipts, farm program payments other farm-related income less cash expenses.  
Does not include depreciation, farm household expenses or inventory adjustment.





# 2018 Farm Bill Spending, 2019 to 2028

## Total Spending \$867 Billion



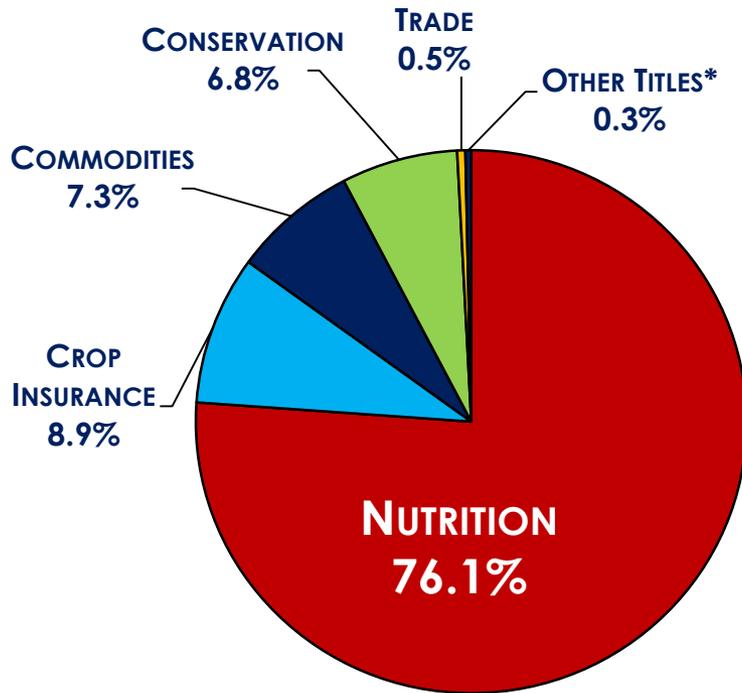
■ NUTRITION ■ CROP INSURANCE ■ COMMODITIES ■ CONSERVATION ■ TRADE ■ OTHER TITLES\*

\*Other Titles include: Miscellaneous, Horticulture, Research & Extension, Energy, Forestry, Revenues, Rural Development and Credit

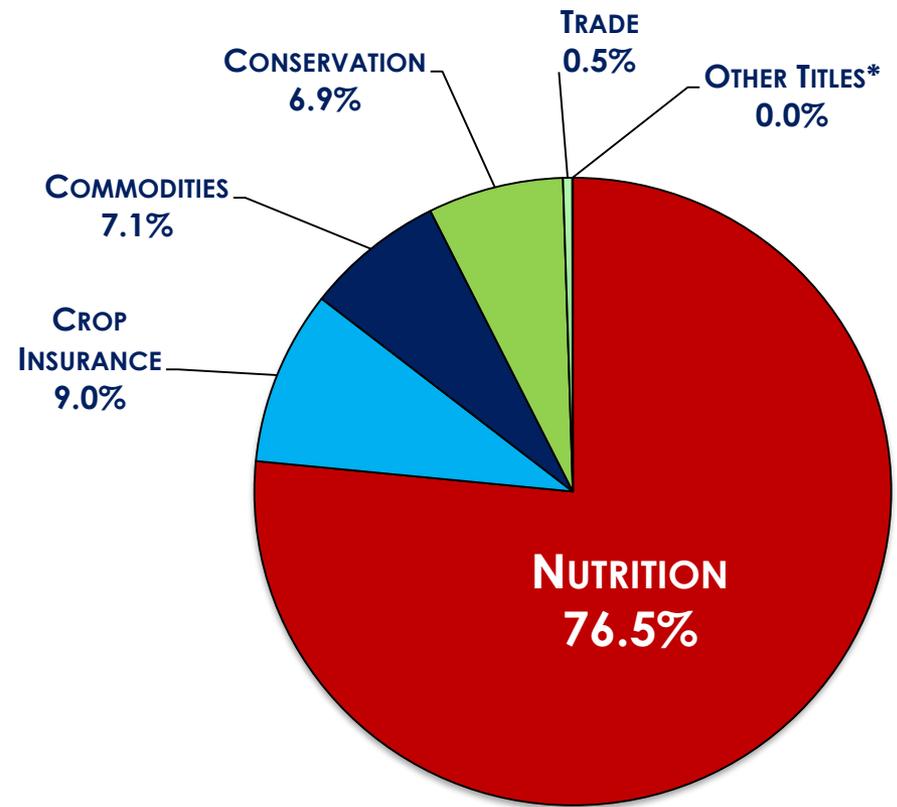


# 2018 Farm Bill Spending, 5- and 10-Year Baseline

**\$428 Billion**  
**2019-2023**



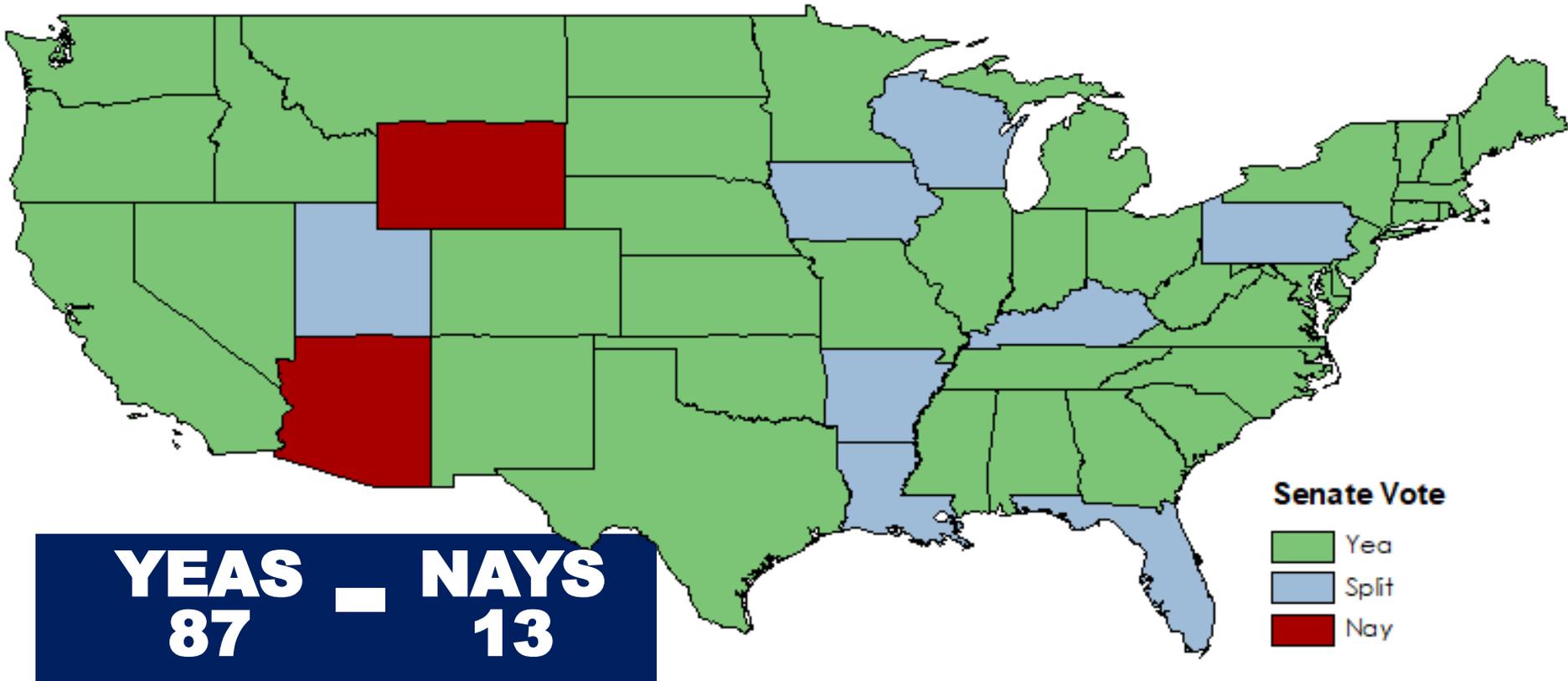
**\$867 Billion**  
**2019-2028**





# WHO SUPPORTED THE FARM BILL IN THE SENATE?

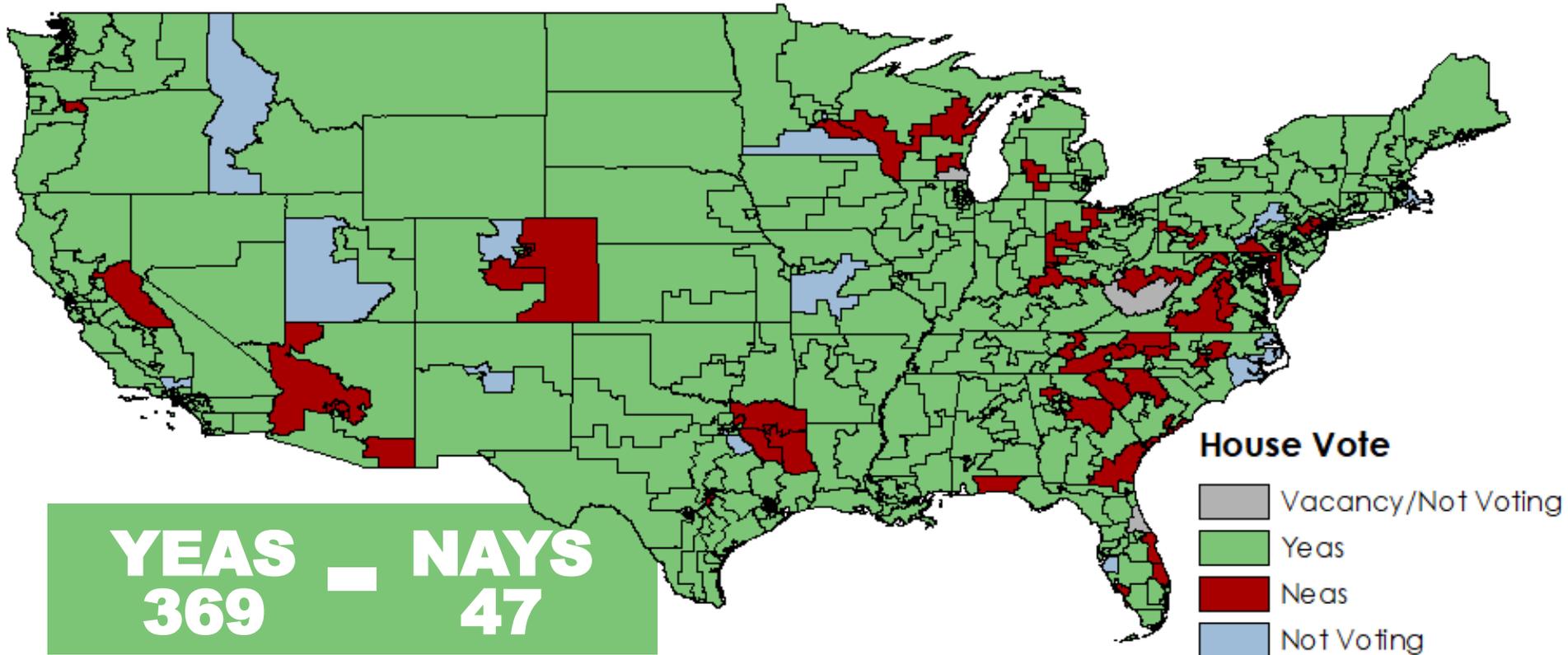
*Senate Moved First, Passed Farm Bill  
Early Dec. 2018*





# WHO SUPPORTED THE FARM BILL IN THE HOUSE?

## House Farm Bill Passed Dec. 2018

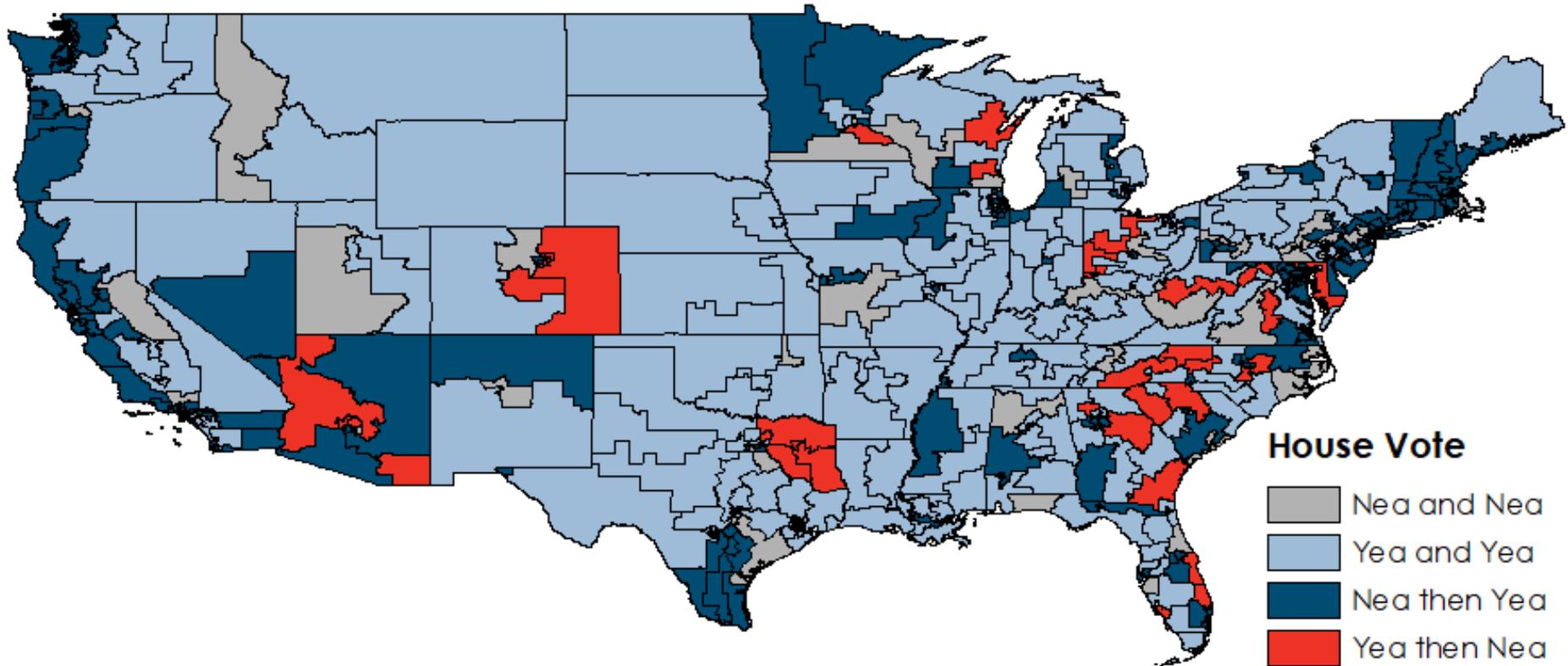


*182 Republicans and 187 Democrats voted for the bill & 44 Republicans joined 3 Democrats in opposition*



# WE GAINED LOTS AND LOST SOME IN HOUSE

## Which Districts Moved into the Support Column?



**190 Votes**  
Flipped from a Nea to a Yea

**32 Votes**  
Flipped from Yea to Nea



# ACCESS TO FARM BILL PROGRAMS PROTECTED & EXPANDED



No Changes to Adjusted Gross Income Eligibility of \$900,000



Actively Engaged Definition  
**Expanded** to Include First Cousins, Nieces and Nephews





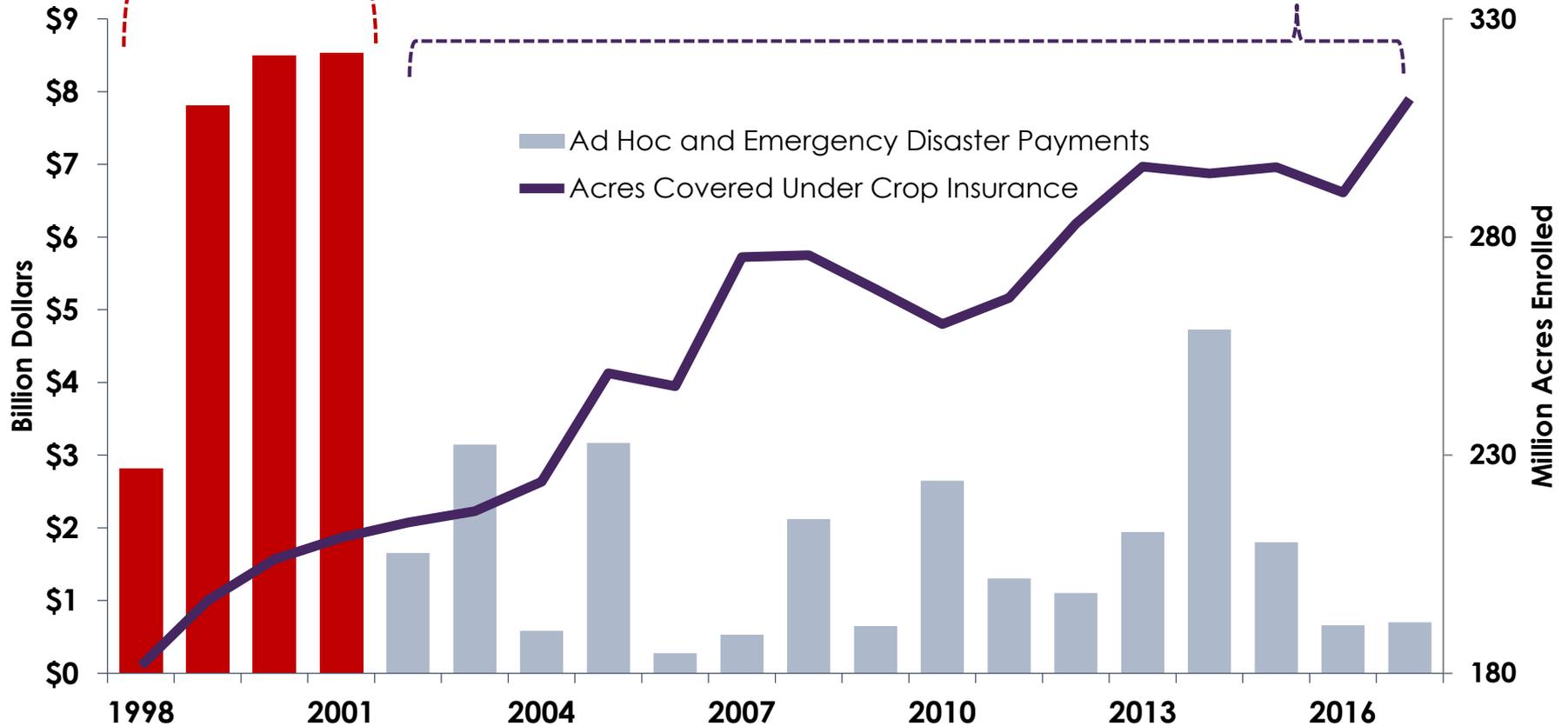
# #CROPINSURANCEWORKS

## \$30 Billion

Ad-hoc Payment Dropped Significantly as Crop Insurance Expanded

## +100,000,000

Additional Acres Enrolled

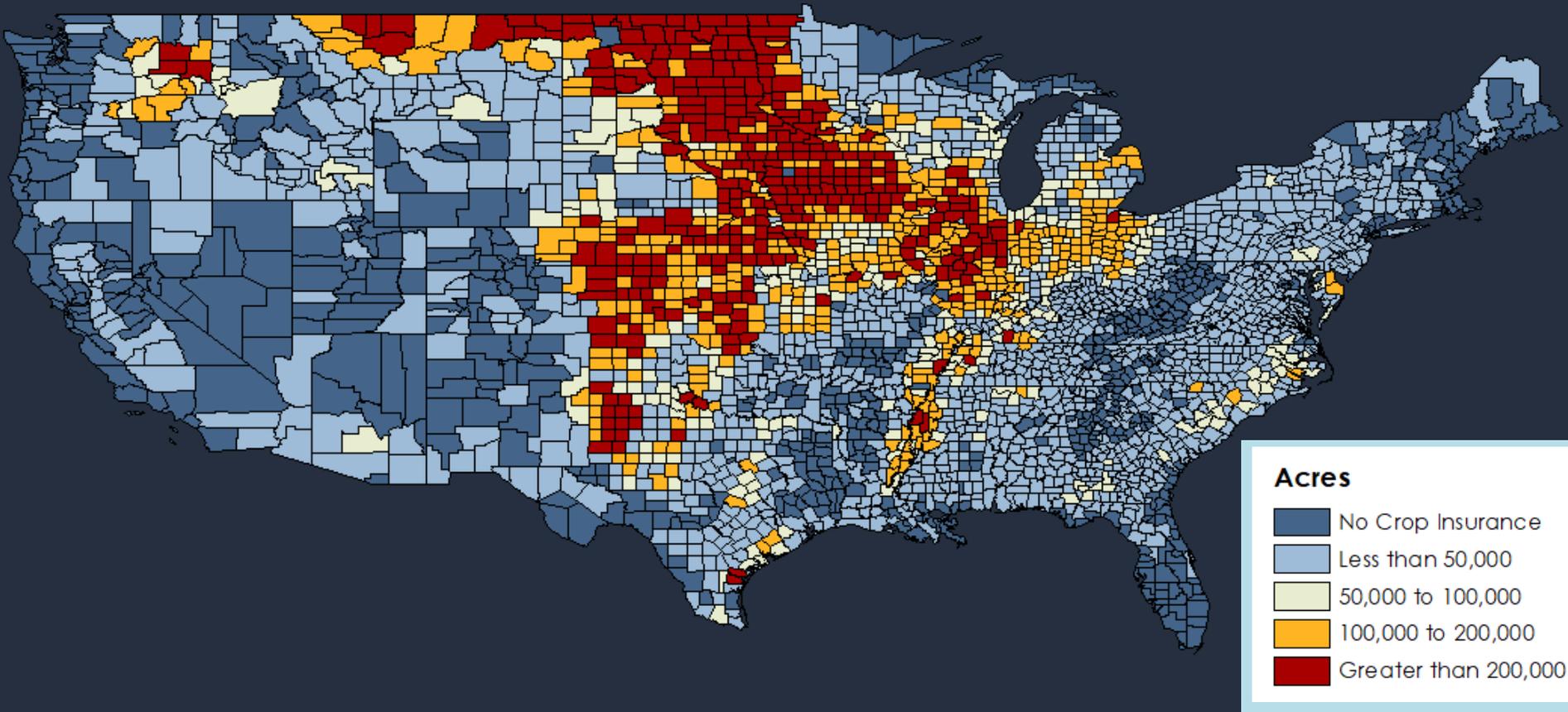




# Crop Insurance Was Protected

Livestock Coverage Enhanced in Feb. '18

## Use of Revenue Protection Policies in 2018, 197 Million Acres & 15 Crops





# ENHANCED RISK MANAGEMENT PROGRAMS



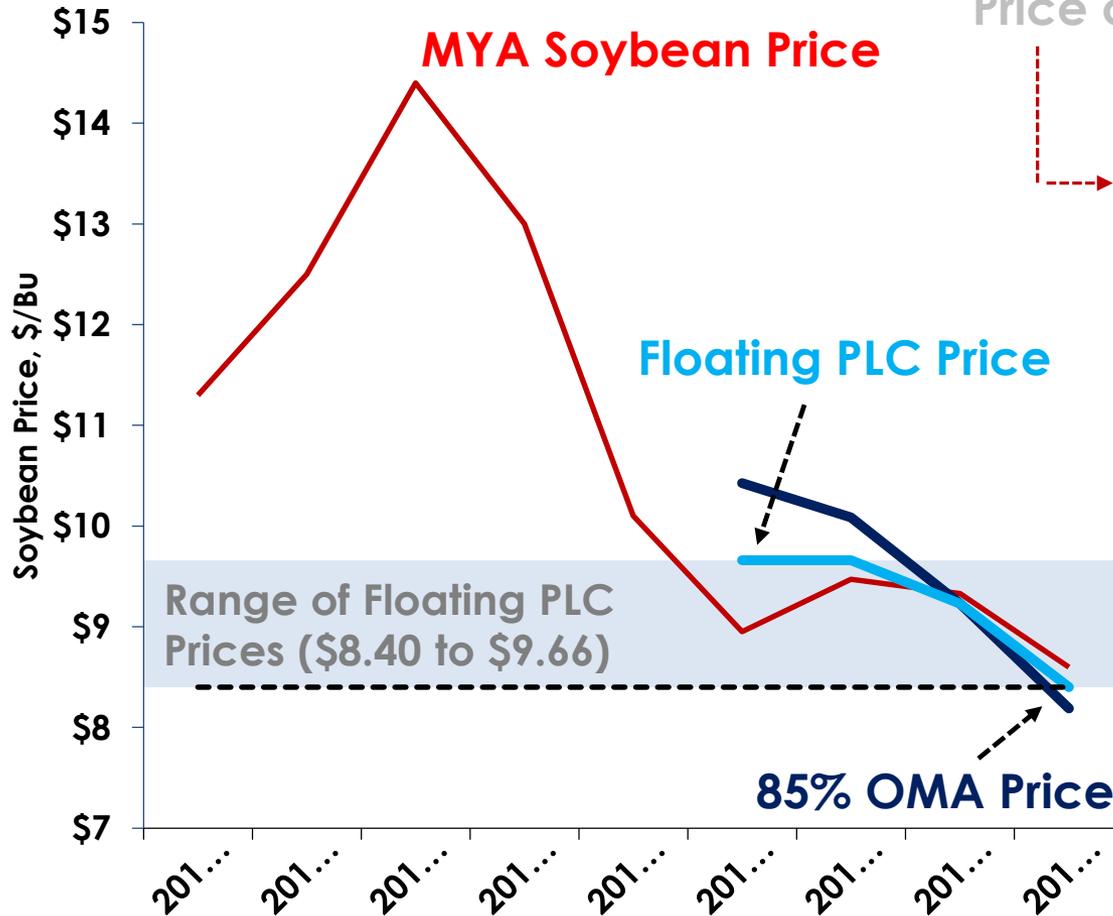
Reauthorizes and strengthens the **Agriculture Risk Coverage** (ARC) and **Price Loss Coverage** (PLC) options through 2023.

- ✔ **PLC is target-price support.** Provides assistance to producers when the market price for a covered commodity falls below the statutory reference price, i.e. \$3.70 for corn. PLC Gets Higher Price Supports Based on 115% of Olympic Moving Average
- ✔ **ARC is target-revenue support.** Provides assistance to producers when actual crop revenue for a covered commodity falls below 86 percent of the benchmark revenue. ARC Now Will Use RMA Yields, Higher PLC Prices, 80% of T-Yields and Trend-Adjusted Yields
- ✔ **Choose ARC/PLC Election in 2019 than Annually in 2021, 2022 & 2023, Last Farm Bill Was a One-Time Election**
- ✔ Marketing Loan Rates Increased, e.g., Corn \$1.95 to \$2.20 per bushel



# IMPROVES PRICE LOSS COVERAGE SAFETY NET

## Price Support “Elevator”



What's Higher? The Reference Price or 85% of OMA Price?

If Reference Price, Then Use Reference Price

If 85% OMA, Then...

Use Lowest Value Between:

- 115% of Reference Price
- 85% OMA Price



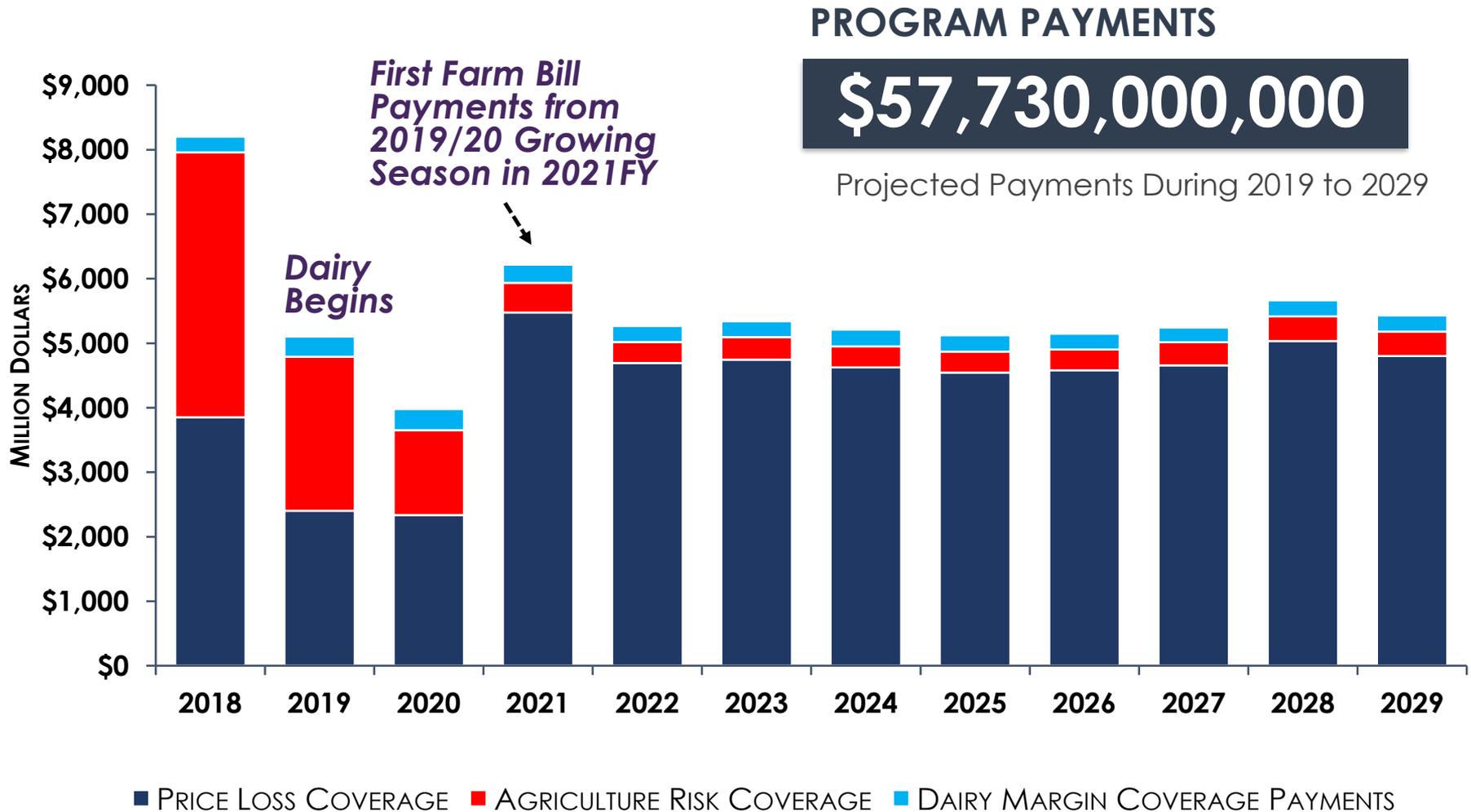
# RANGE OF PRICE LOSS COVERAGE PROTECTION

COVERED COMMODITY	CURRENT REFERENCE PRICE	2017/18 ACTUAL PRICE	2018/19 PROJECTED PRICE	MAXIMUM FLOATING PLC REFERENCE PRICE
CORN (\$/BU)	\$3.70	\$3.36	\$3.60	\$4.26
SOYBEANS (\$/BU)	\$8.40	\$9.33	\$8.60	\$9.66
WHEAT (\$/BU)	\$5.50	\$4.72	\$5.15	\$6.32
SEED COTTON (\$/LB.)	\$0.367	\$0.3357	\$0.3530	\$0.42
RICE (LG) (\$/CWT)	\$0.14	\$0.115	\$0.107	\$0.16
PEANUTS (\$/LB.)	\$0.268	\$0.229	\$0.215	\$0.31
SORGHUM (\$/BU)	\$3.95	\$3.22	\$3.40	\$4.54

Source: 2018 Farm Bill, Farm Bureau Calculations, Yellow Represents Payment Triggering MYA Price



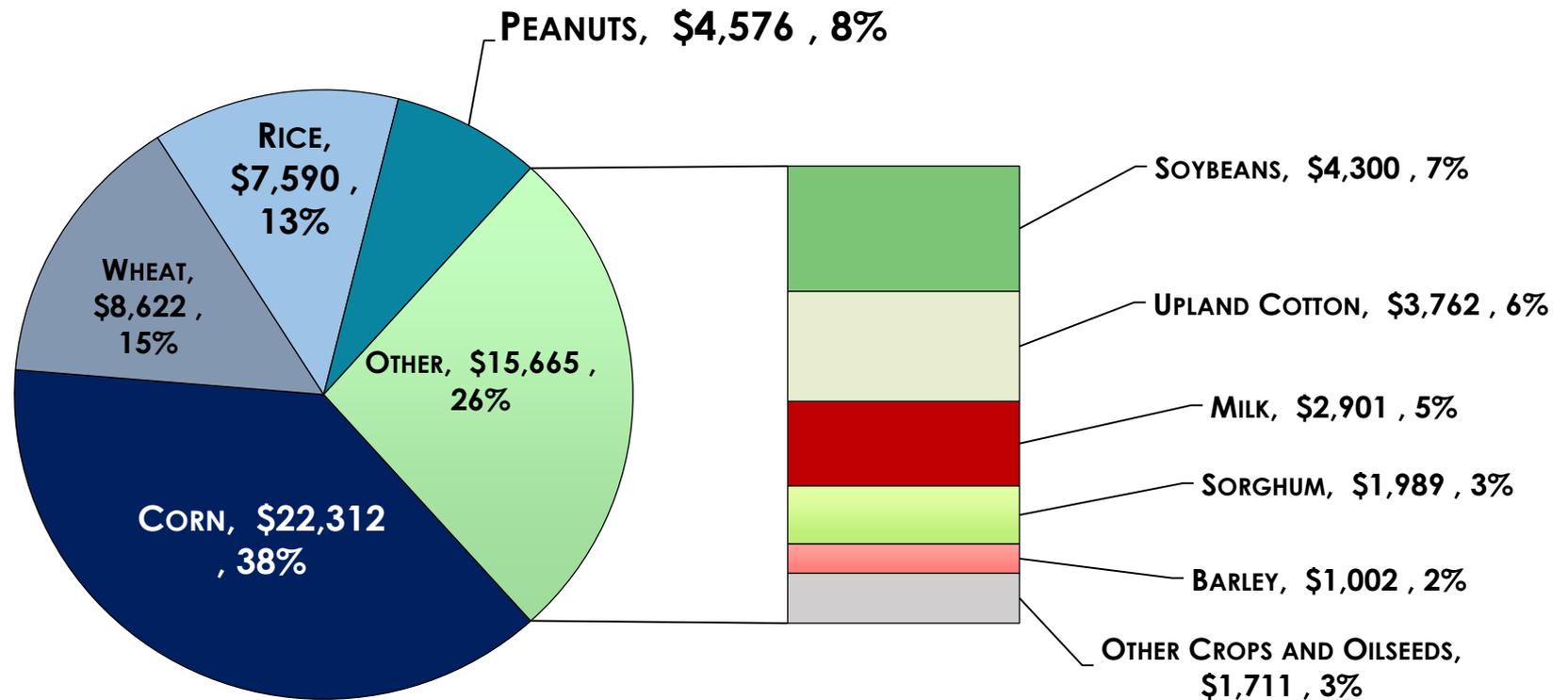
# REVENUE- AND PRICE-BASED SAFETY NET OUTLAYS PROJECTED AT \$5.8B ANNUALLY





# PROJECTED PROGRAM PAYMENTS BY CROP

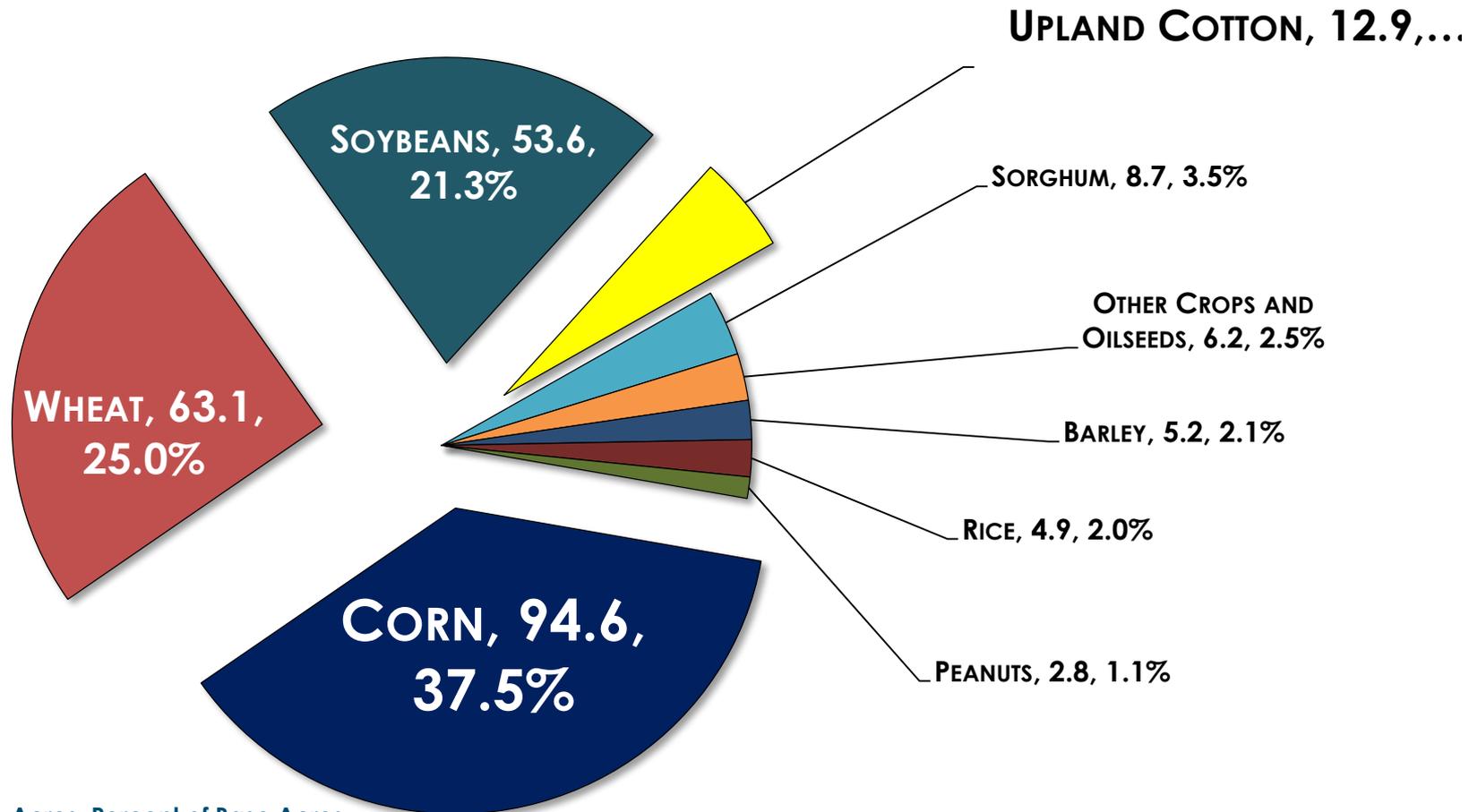
## Top 4 Crops = 74% Program Payments 2019-2029





# BASE ACRE ALLOCATION

**84% of Base Acres Are in Corn, Wheat and Soybeans**  
**Projection is 252,000,000 Base Acres, 2019-29**



Legend: Crop, Base Acres, Percent of Base Acres



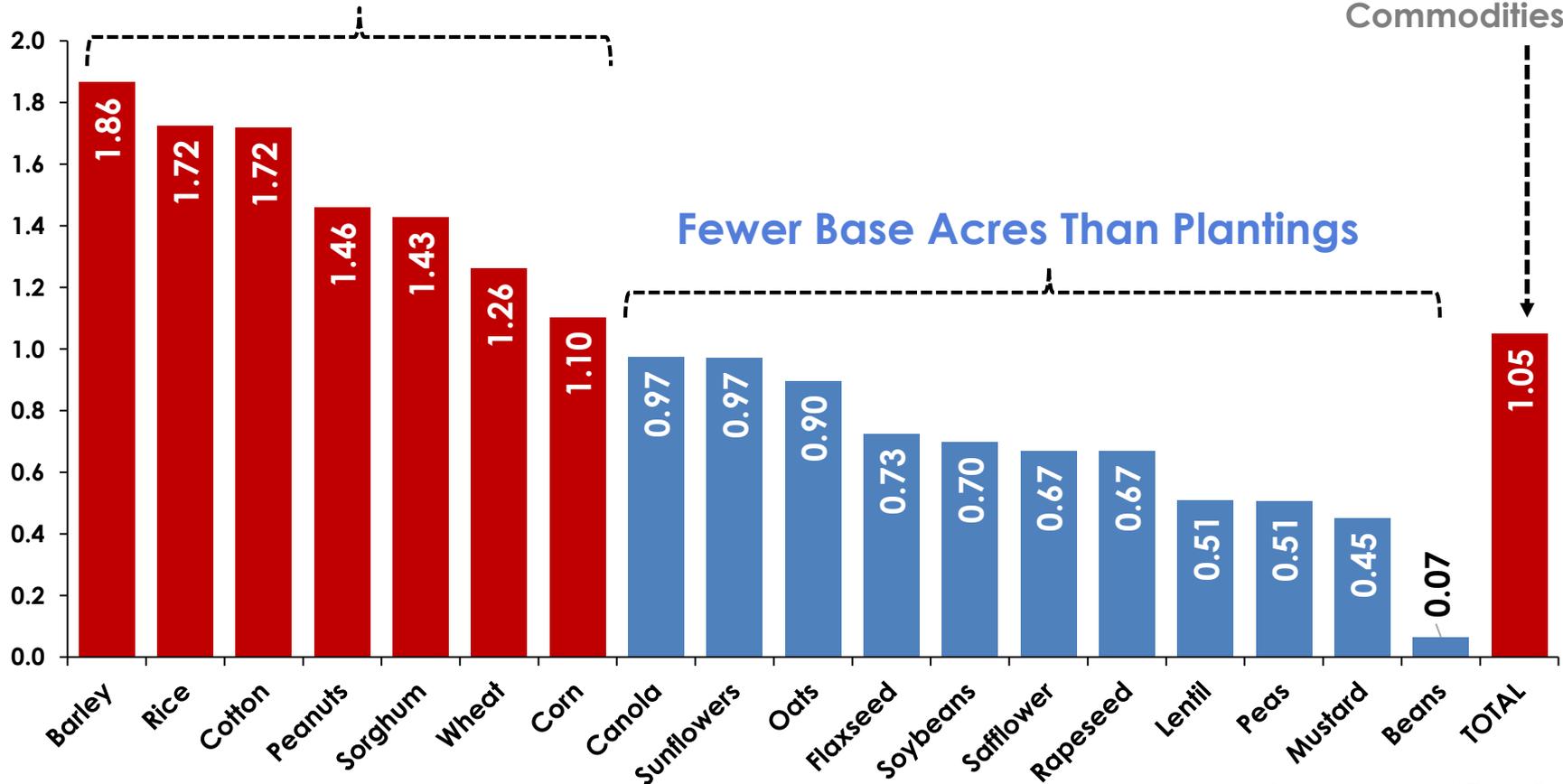
# BASE ACRES COMPARED TO AVERAGE ACTUAL PLANTINGS

Ratio of Base Acres to Average Plantings  
from 2009 to 2017

There Are 12 Million More Base  
Acres Than Plantings of Covered  
Commodities\*

**More Base Acres Than Plantings**

**Fewer Base Acres Than Plantings**

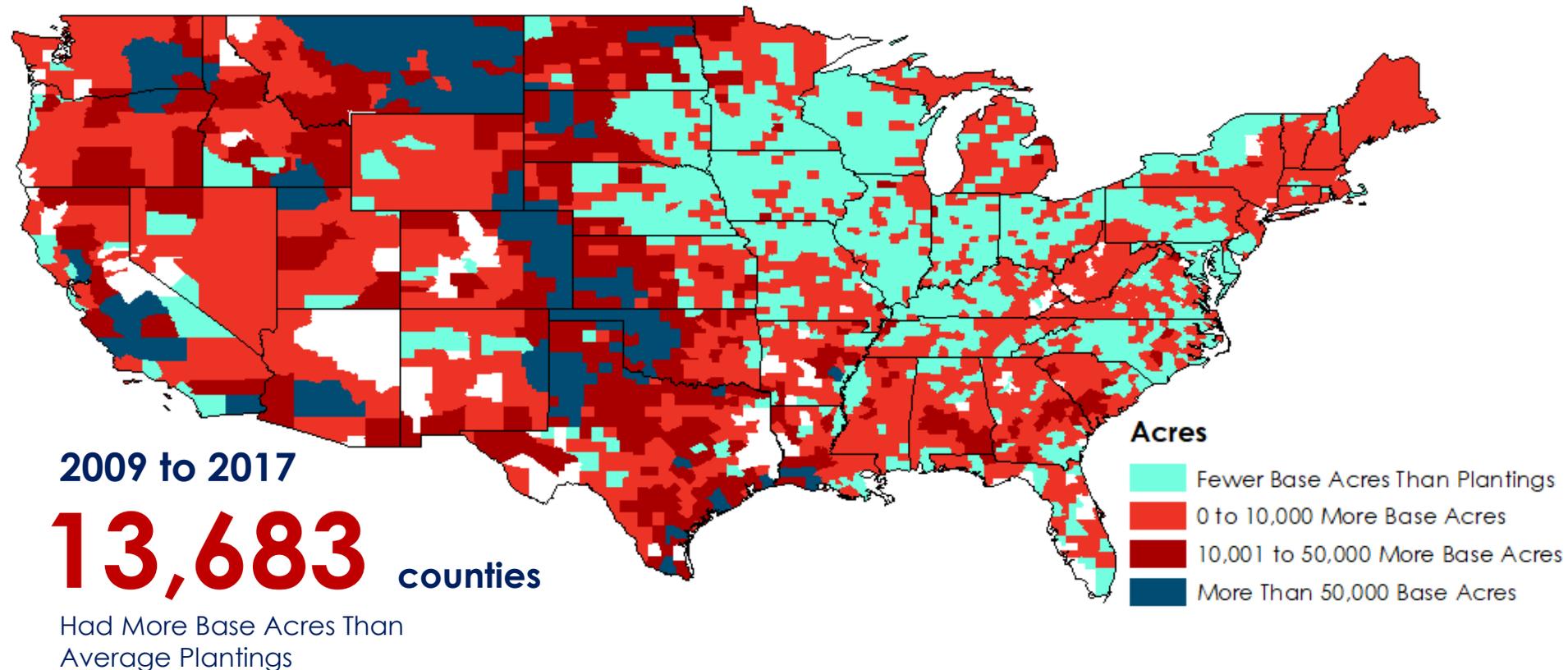


\*261M Actual & 273M Base



## A Farm's Base Acres Would Be Recalibrated to Plantings, **Suspended Base Eligible for \$18 acre**

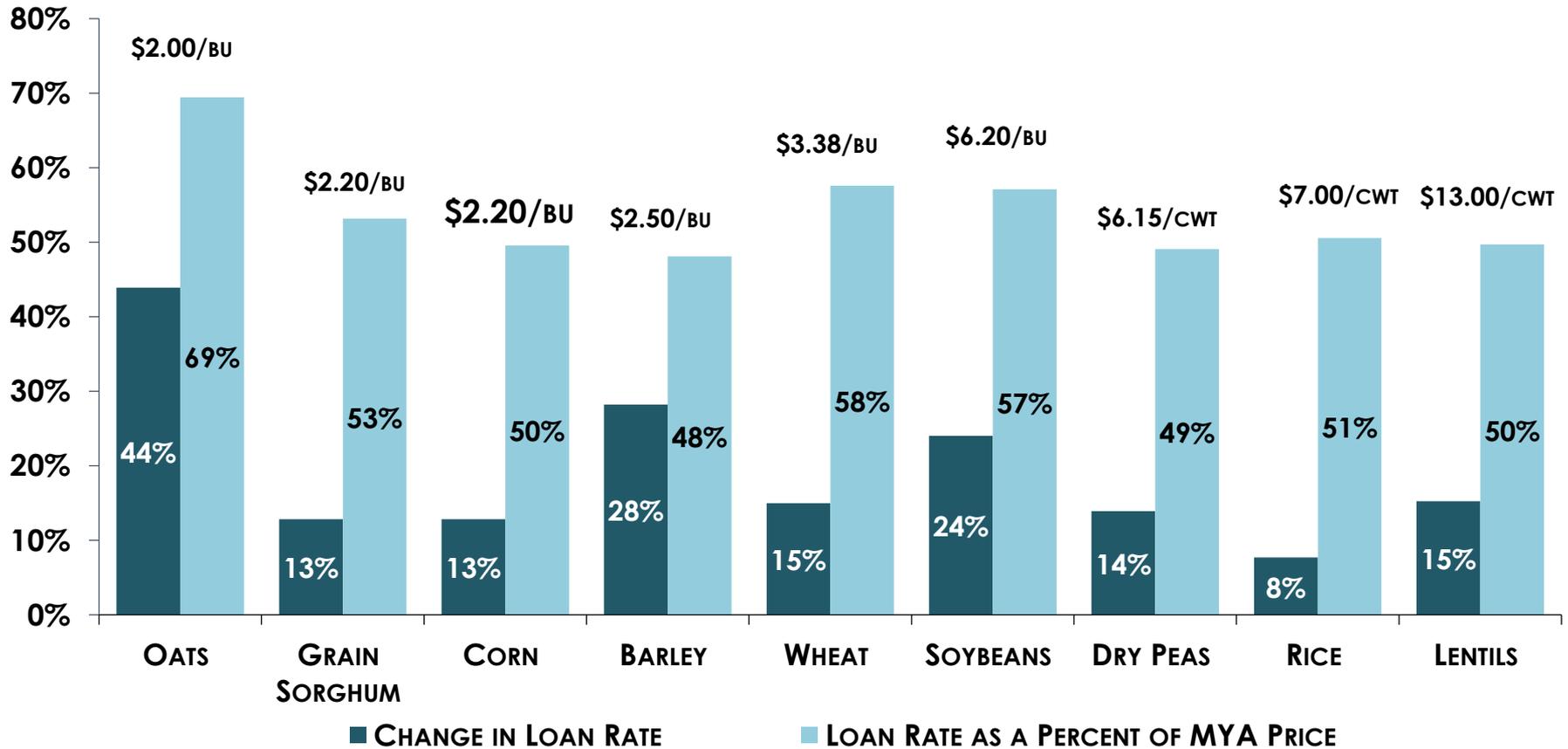
### COMPARISON OF BASE ACRES TO PROGRAM CROP ACRES





# MARKETING LOAN RATES MODERNIZED

## Change in Marketing Loan Rates and Marketing Loan Rates as a Percent of 10-Year Average Price



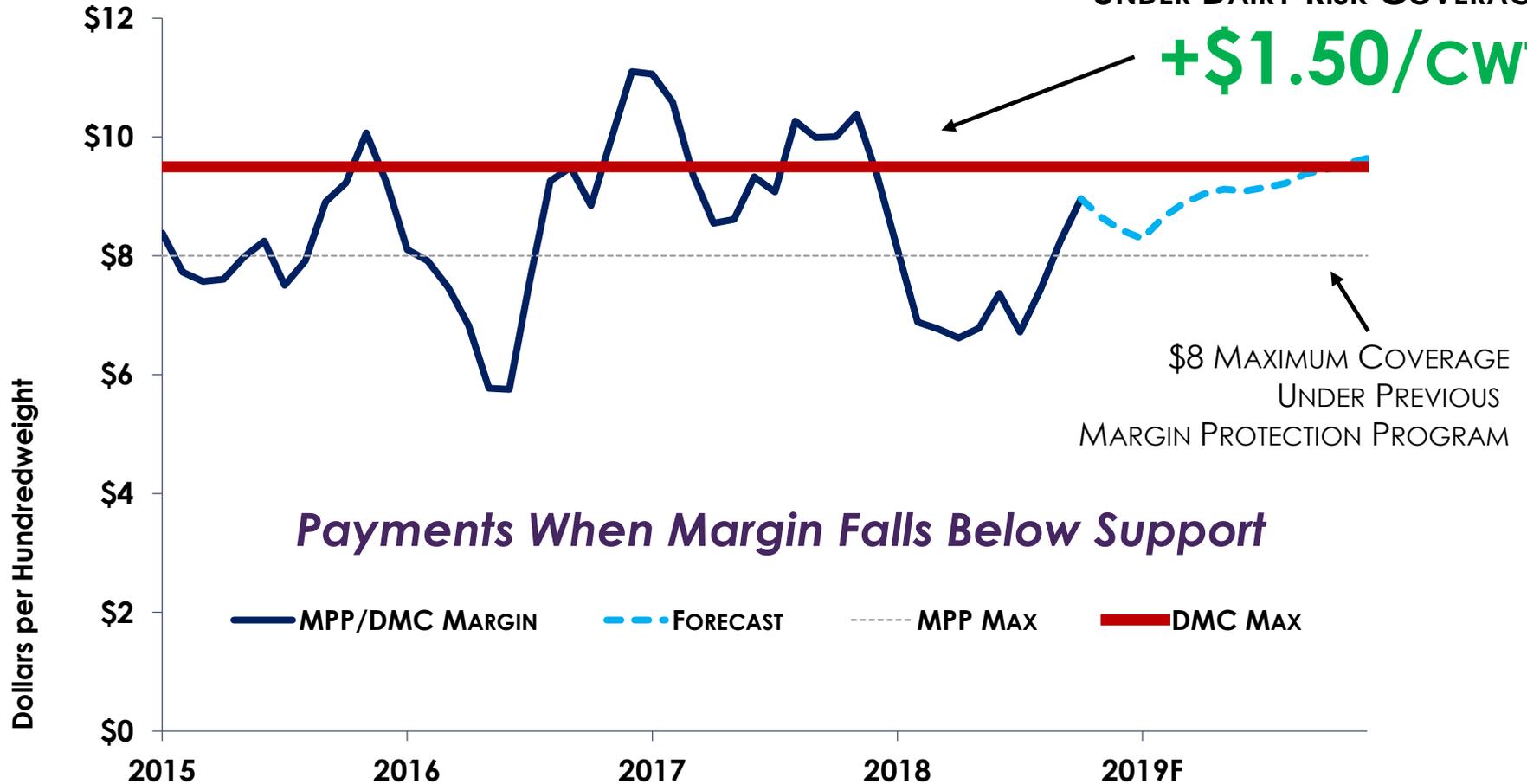


# DAIRY SAFETY NET SIGNIFICANTLY ENHANCED

*Dairy Payments Would Have Triggers 80% of Months, Average Return \$1.00/cwt*

**\$9.50 MAXIMUM COVERAGE  
UNDER DAIRY RISK COVERAGE**

**+\$1.50/CWT**





# DAIRY SAFETY NET MORE AFFORDABLE

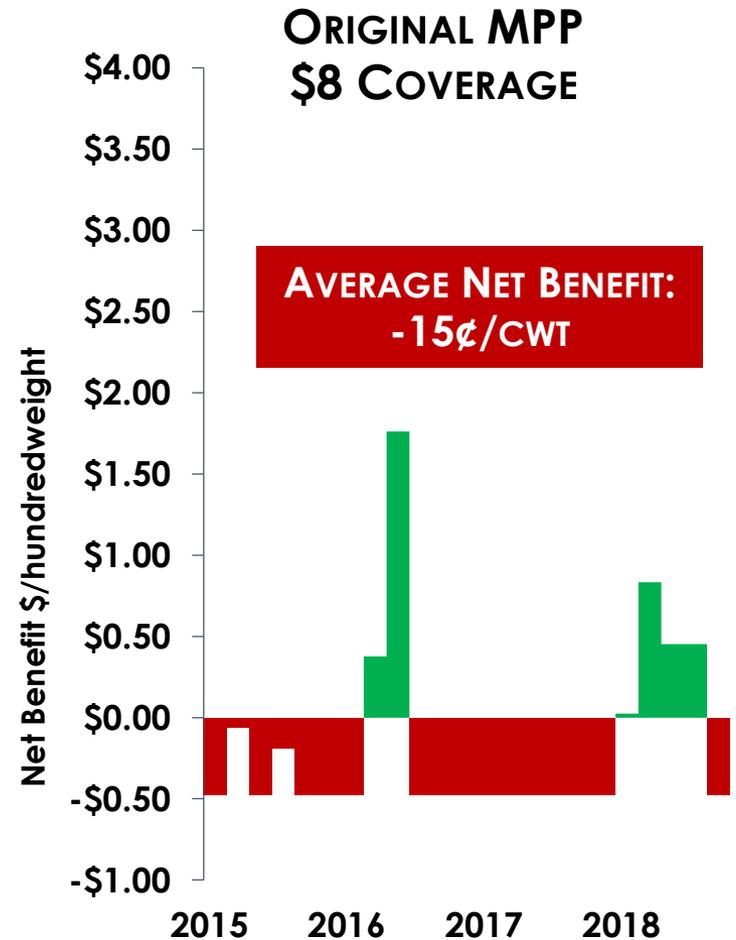
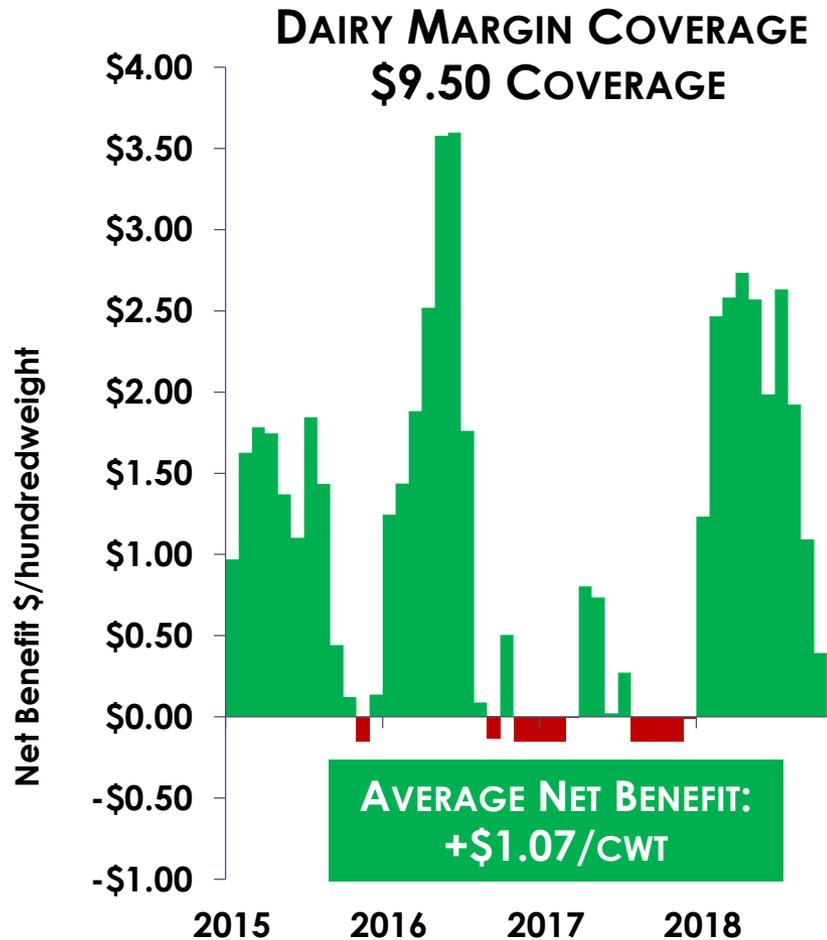
**Tier 1 Coverage at \$9.50 Very Affordable,  
Rates for Catastrophic Coverage in Tier 2 Reduced by 88%**

COVERAGE LEVEL	TIER 1 PREMIUM (FIRST 5 MIL POUNDS)		TIER 2 PREMIUM (OVER 5 MIL POUNDS)	
	MPP PREMIUM	DMC PREMIUM	MPP PREMIUM	DMC PREMIUM
\$4.00	FREE	FREE	FREE	FREE
\$4.50		\$0.0025	\$0.020	\$0.0025 <b>(-88%)</b>
\$5.00		\$0.005	\$0.040	\$0.005 <b>(-88%)</b>
\$5.50	\$0.009	\$0.030 <b>(+233%)</b>	\$0.100	\$0.100 <b>(NC)</b>
\$6.00	\$0.016	\$0.050 <b>(+213%)</b>	\$0.155	\$0.310 <b>(+100%)</b>
\$6.50	\$0.040	\$0.070 <b>(+75%)</b>	\$0.290	\$0.650 <b>(+124%)</b>
\$7.00	\$0.063	\$0.080 <b>(+27%)</b>	\$0.830	\$1.107 <b>(+33%)</b>
\$7.50	\$0.087	\$0.090 <b>(+3%)</b>	\$1.060	\$1.413 <b>(+33%)</b>
\$8.00	\$0.142	\$0.100 <b>(-30%)</b>	\$1.360	\$1.813 <b>(+33%)</b>
\$8.50	NOT OFFERED	<b>\$0.105</b>	NOT OFFERED	
\$9.00		<b>\$0.110</b>		
\$9.50		<b>\$0.150</b>		



# DMC WILL PROVIDE MUCH-NEEDED CASH FLOW ON FARM

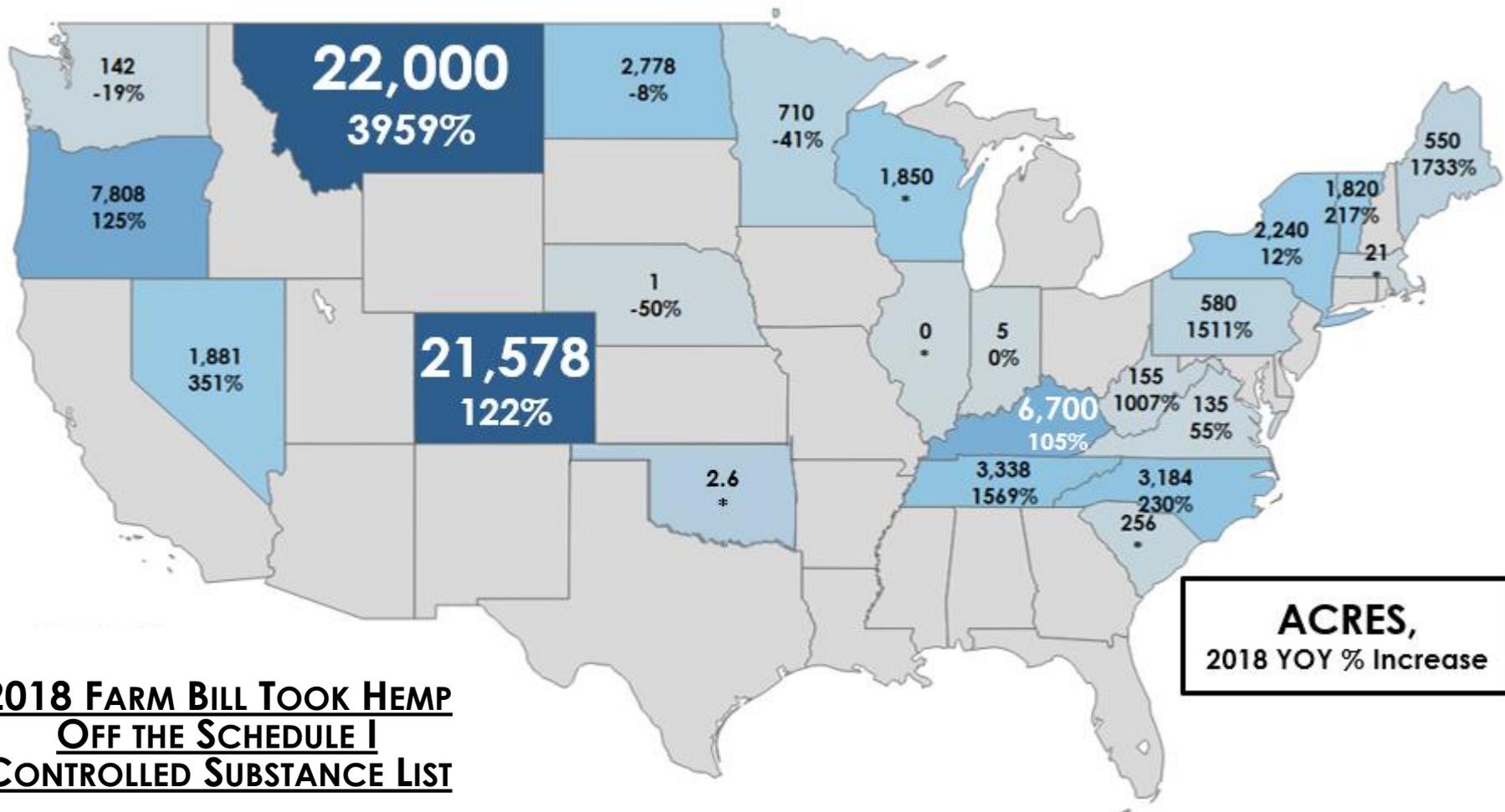
2018 WOULD HAVE PAID OUT \$80K TO DAIRY FARMERS COVERING 5 MILLION POUNDS





# HEMP IS NOW IN THE FARM BILL

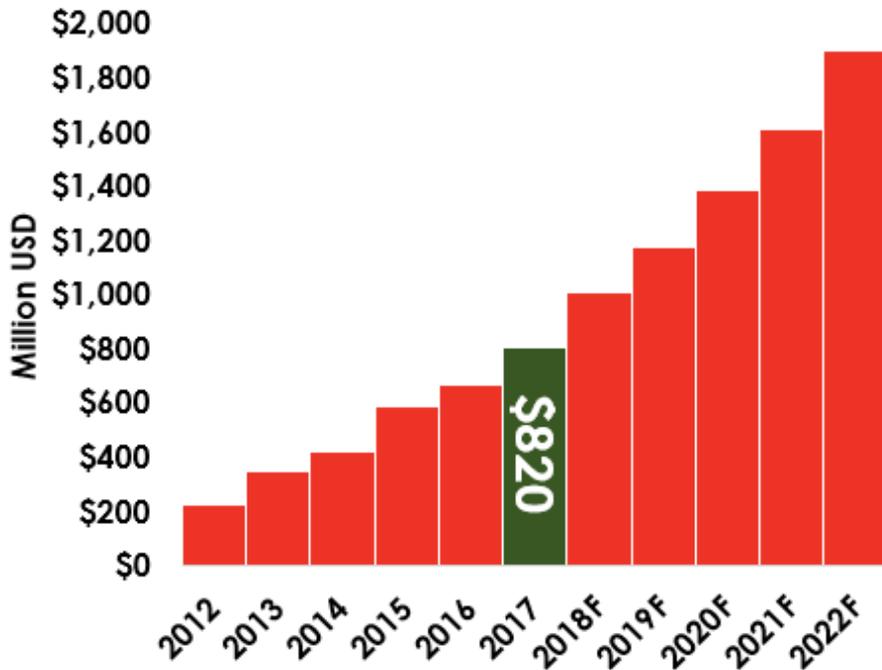
## Substantial Increases in Acreage Under 2014 Farm Bill Pilot Programs



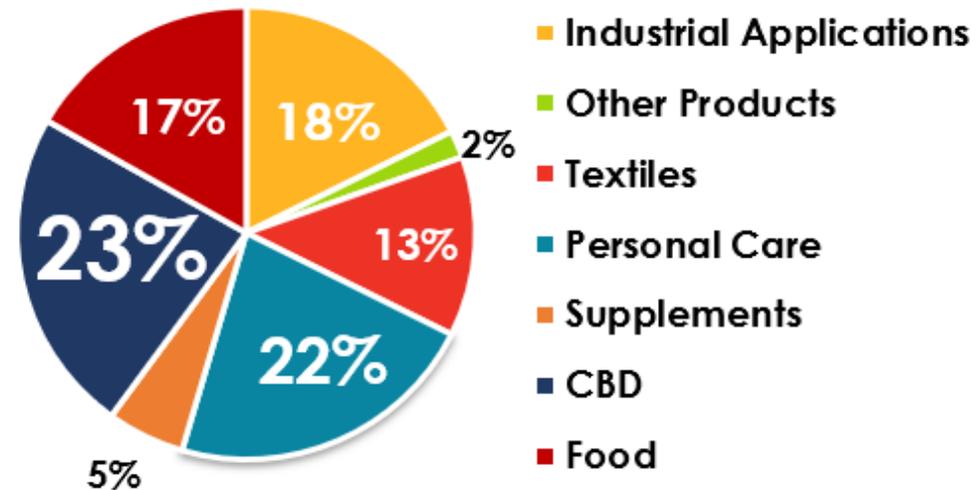


# HEMP MARKET COULD HAVE TREMENDOUS POTENTIAL

## Annual Product Sales



## Sales Category Breakout



**CBD HAS BEEN IDENTIFIED AS MARKET WITH  
SUBSTANTIAL GROWTH POTENTIAL**



**Hemp:** Farm Bill legalizes the production of hemp and removes it from the list of controlled substances. The conference report also makes hemp eligible for crop insurance and directs the FCIC Board to streamline the process for developing hemp policies.

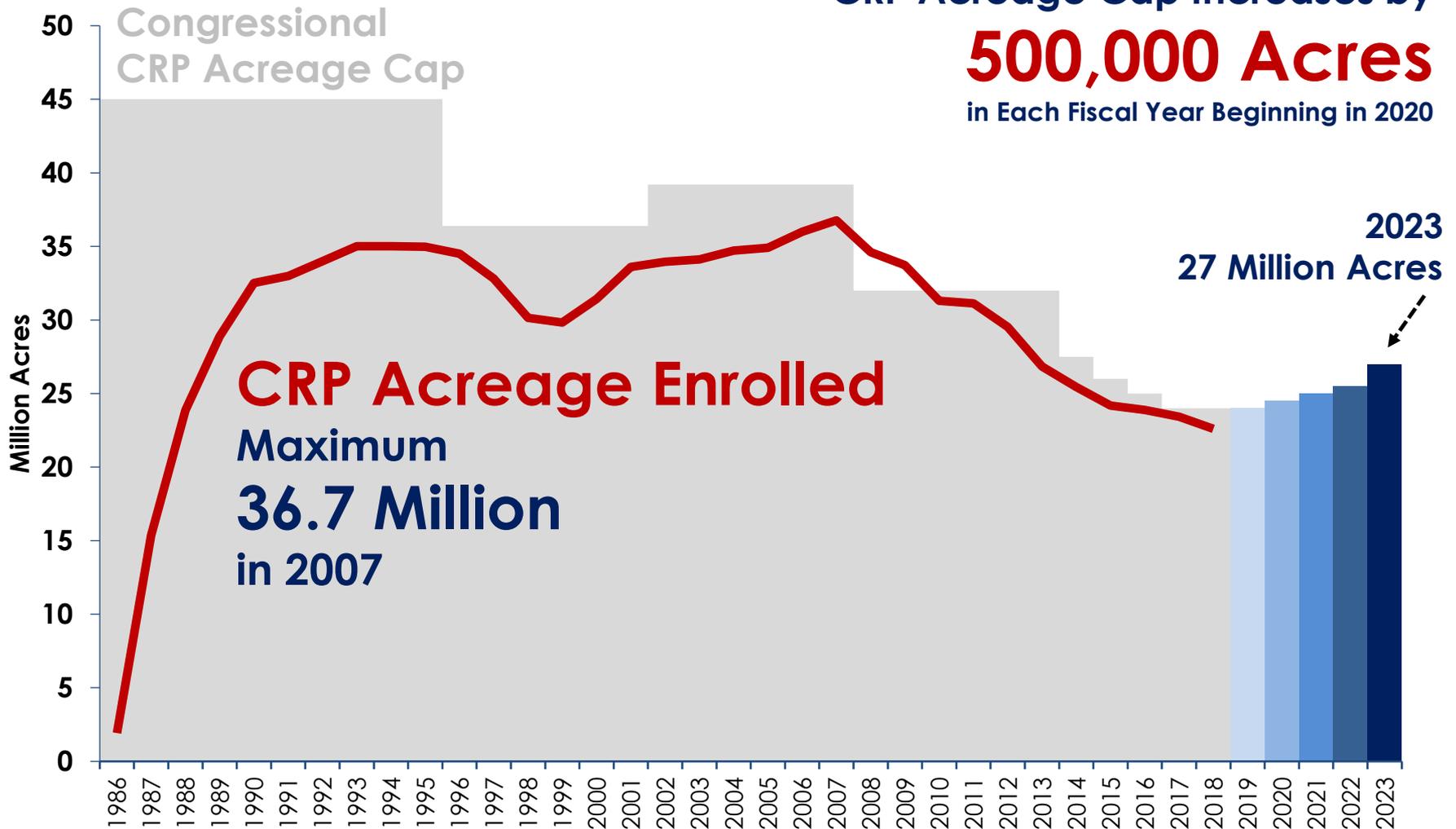


**Conservation**



# EXPANSION OF CRP PROGRAM

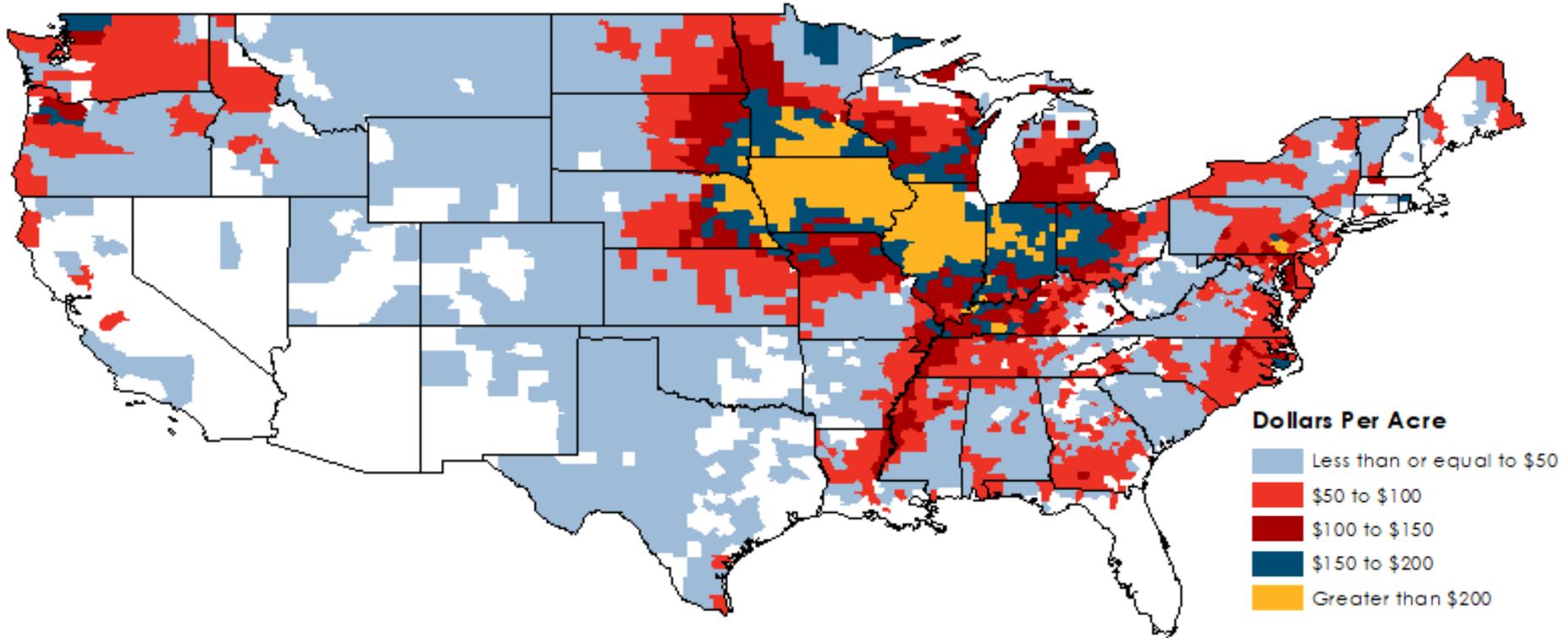
CRP Acreage Cap Increases by  
**500,000 Acres**  
in Each Fiscal Year Beginning in 2020





# 2018 CRP RENTAL RATES

## Fiscal Year 2018 CRP Rental Rates



**\$5 Acre**

**Pecos County, Texas**

**\$76.73  
Average**

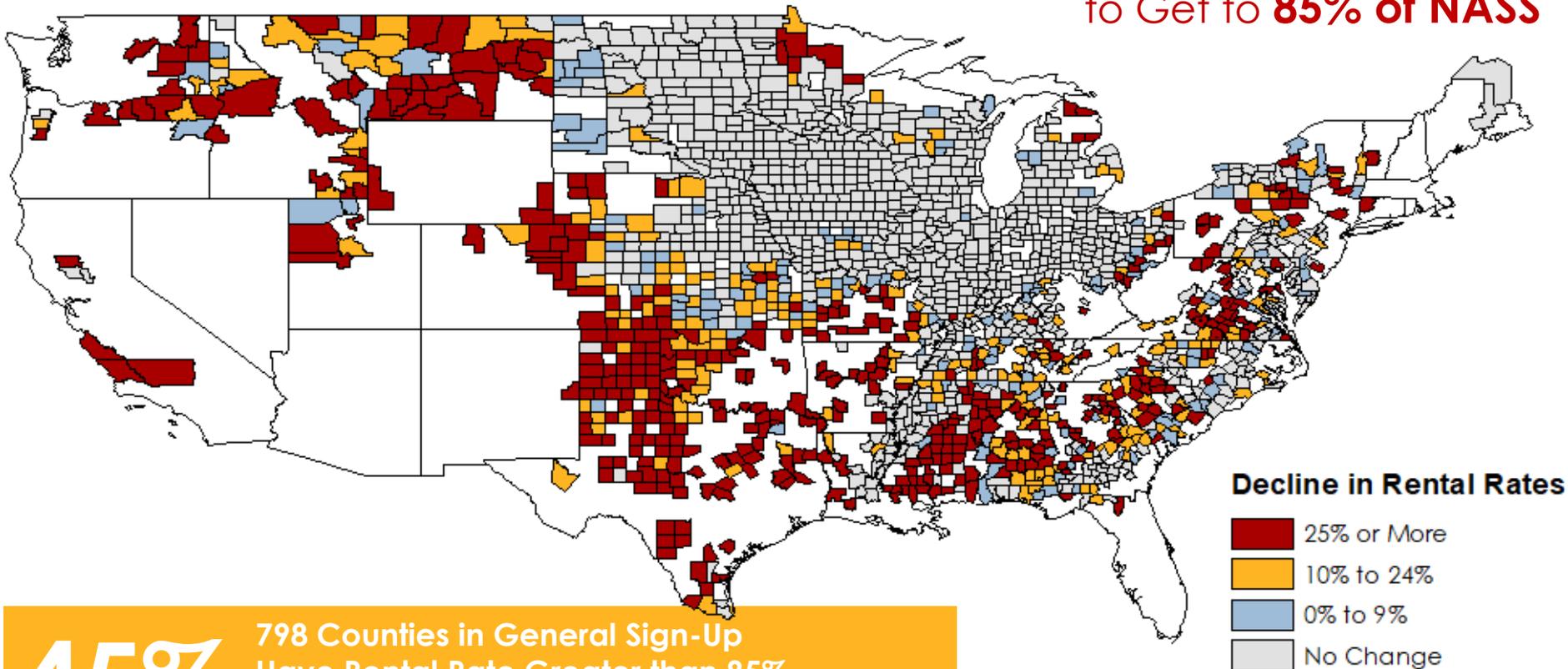
**\$289 Acre**

**Logan County, Illinois**



# IMPACT OF 85% RENTAL RATE CAP ON GENERAL CRP SIGN UP

Based on 2016 Data, Rental Rates Would  
Need to Decline on Average by **13%**  
to Get to **85% of NASS**



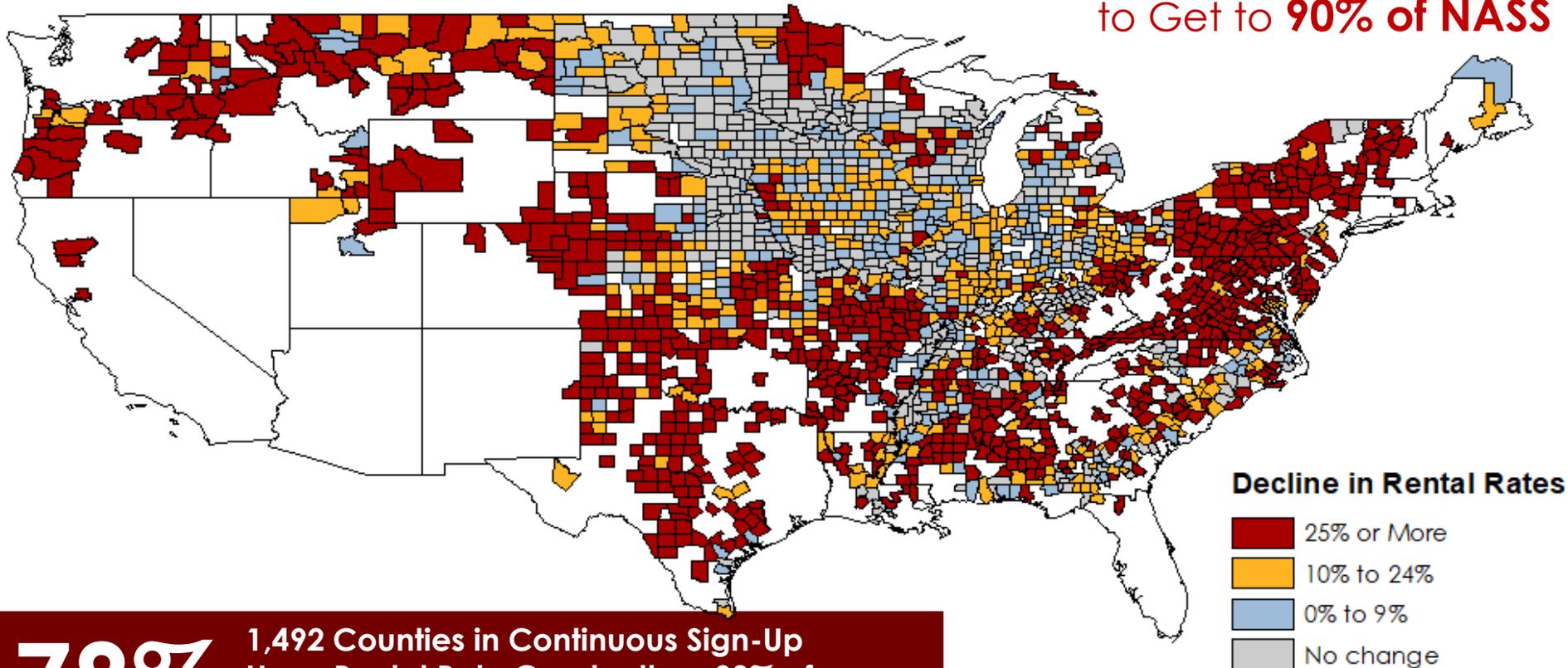
**45%**

798 Counties in General Sign-Up  
Have Rental Rate Greater than 85%  
of 2016 NASS Cash Rent



# IMPACT OF 90% RENTAL RATE CAP ON CONTINUOUS CRP SIGN UP

Based on 2016 Data, Rental Rates Would **25%** Need to Decline on Average by to Get to **90% of NASS**



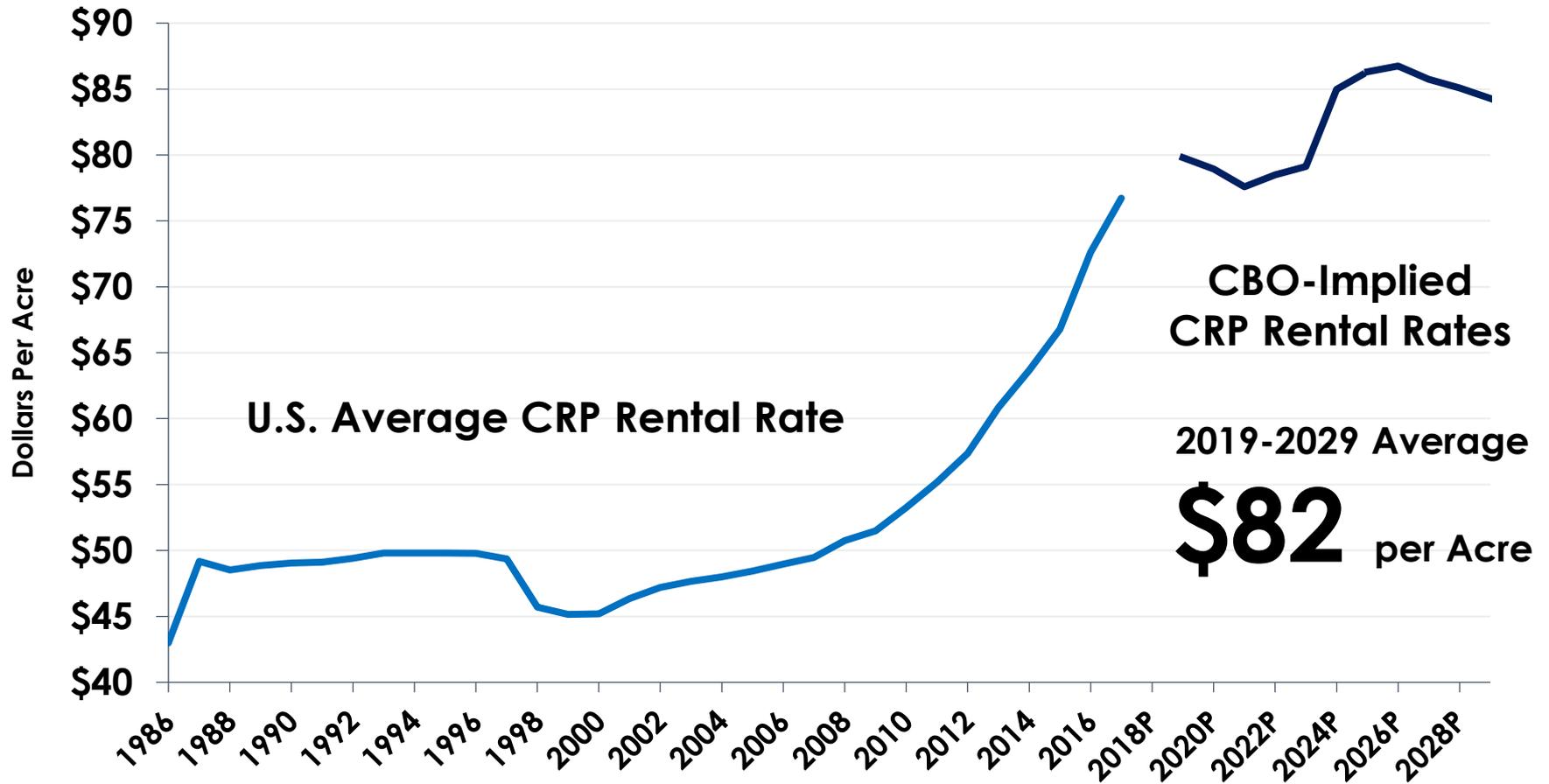
**78%**

1,492 Counties in Continuous Sign-Up Have Rental Rate Greater than 90% of 2016 NASS Cash Rent



# CRP ACTUAL AND PROJECTED RENTAL RATES

## CRP Programs: \$23.7 Billion, 2019-29





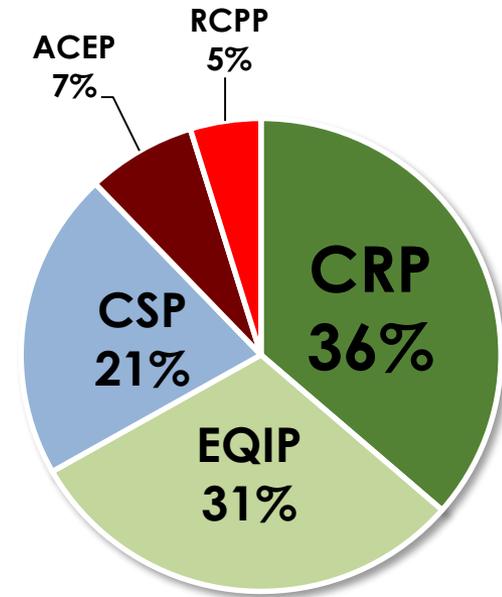
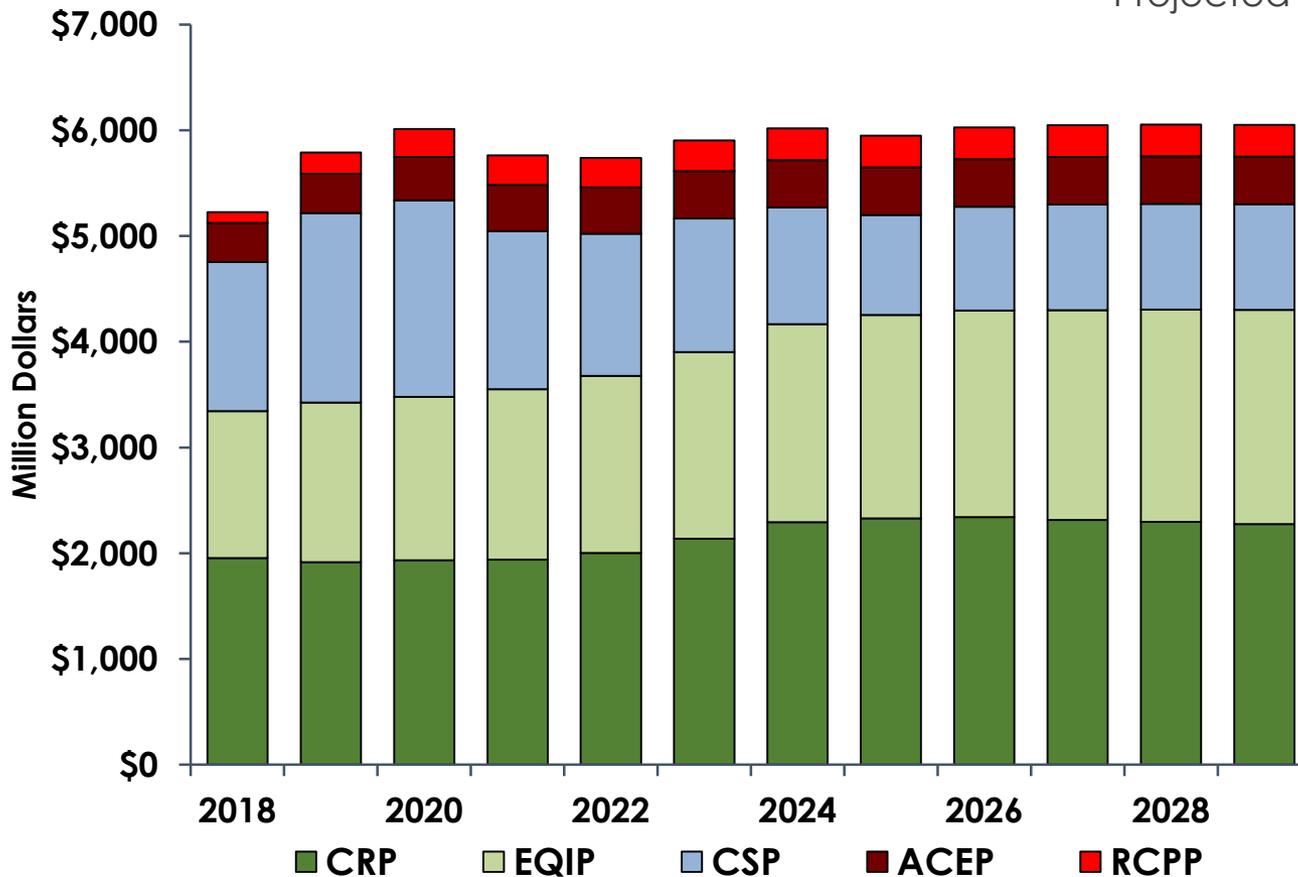
# CONSERVATION FUNDING AT \$6.6B ANNUALLY

**CCC Programs: \$23.7 Billion**  
\$82 Per Acre Average  
**2019-29**

## CONSERVATION PAYMENTS

**\$66,012,000,000**

Projected Payments During 2019 to 2029



Allocation of  
Conservation  
Spending 2019-29

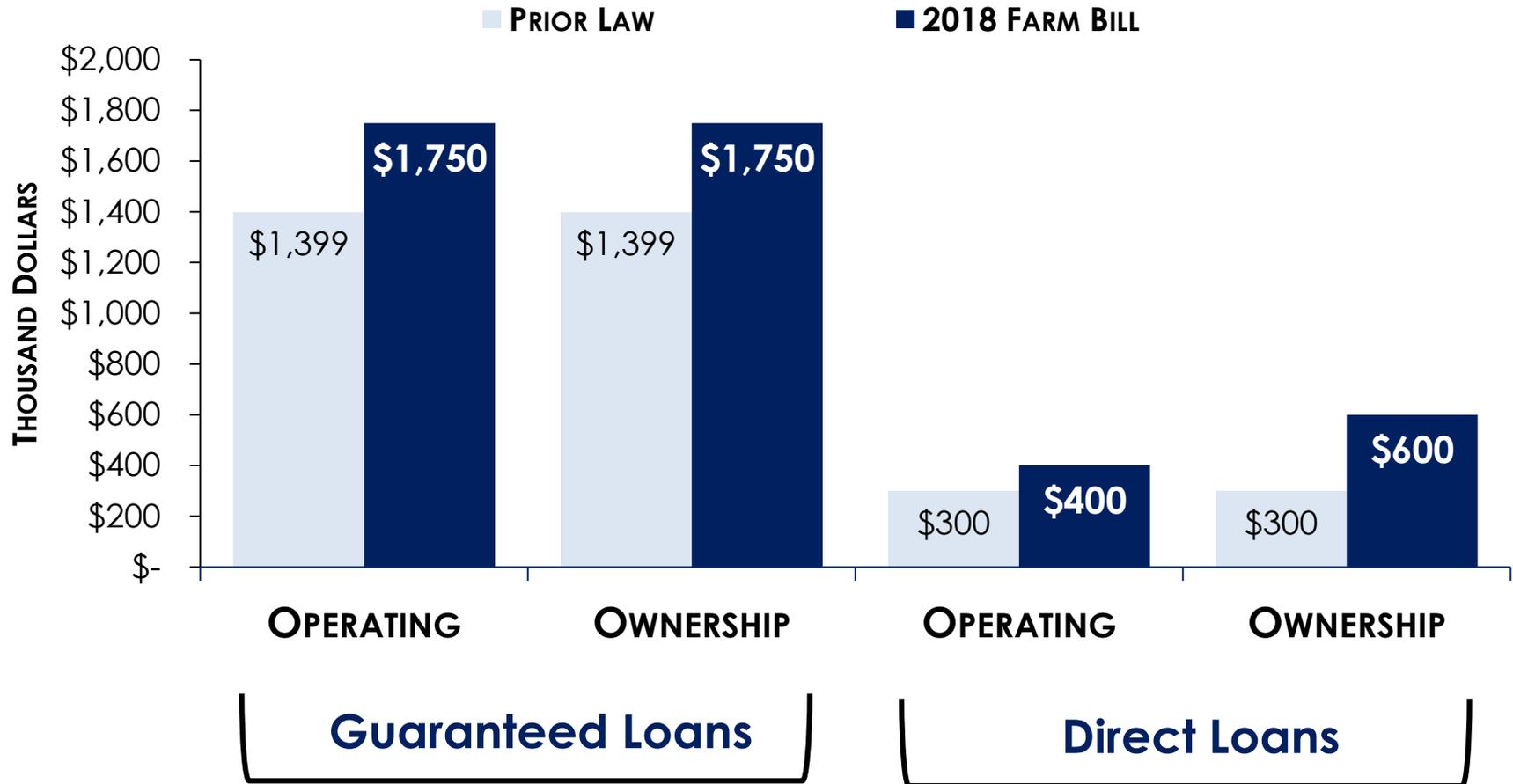


**Farm Credit**



# FARM BILL INCREASED IN CREDIT LIMITS

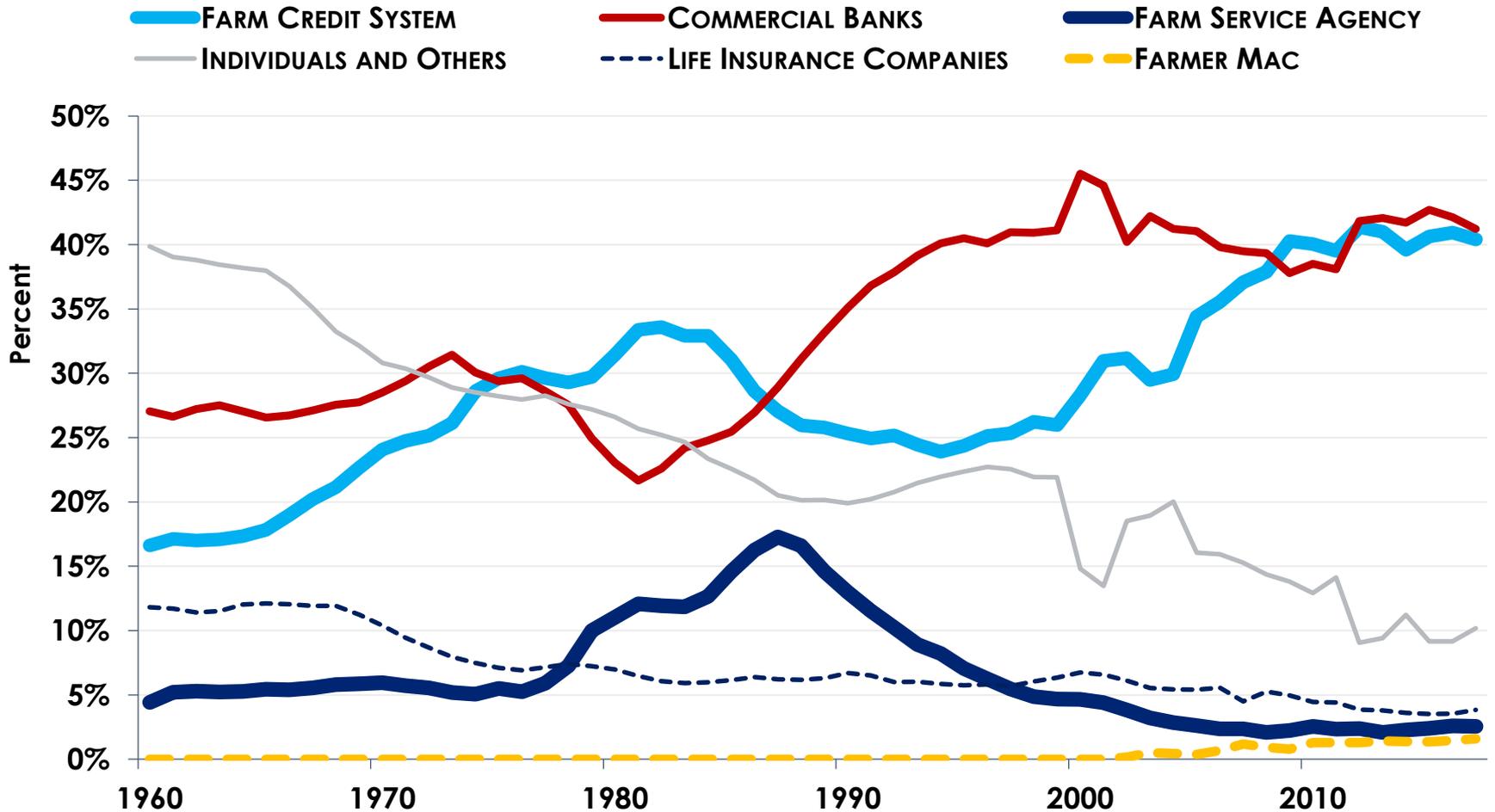
*Raises limits on USDA guaranteed and direct operating and ownership loans*





# MORE CREDIT IMPROVES FARM CREDIT SYSTEM LENDING CAPACITY & MAY ENHANCE SECONDARY MARKETS

## Percent of Farm Debt by Creditor



# Agricultural Trade and the Farm Bill





# TRADE PROGRAM FUNDING

## Market Access Program

*Cost-Share Assistance to Eligible Trade Organizations for Export Promotion Activities. Up to 50% Assistance*

## Foreign Market Development

*Cost-Share Assistance to Maintain and Develop Foreign Markets, Including Emerging Markets*

## Technical Assistance for Specialty Crops

*Technical assistance to remove, resolve, or mitigate existing or potential sanitary and phytosanitary and technical barriers to trade*

## Emerging Markets Program

*In 3 Emerging Markets Each Year, Provide U.S. Technical Expertise in Business Systems and Reducing Barriers to Trade*

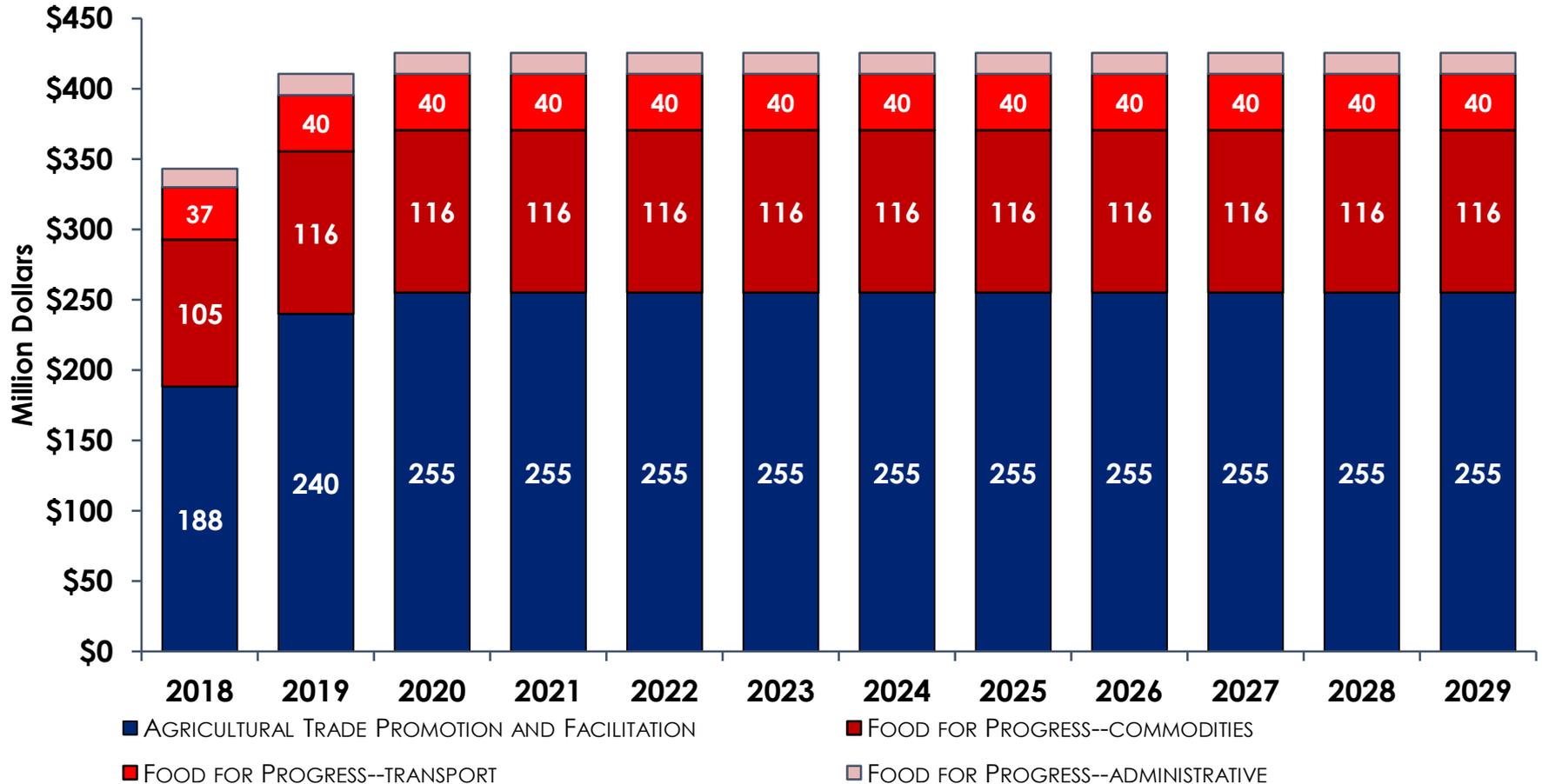
## Priority Trade Promotion, Development, and Assistance program





# FINANCIAL BASELINE RESTORED FOR TRADE-RELATED PROGRAMS

## Food for Peace, Trade & Market Development Programs Funded at \$426M Annually





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# QUESTIONS?



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