

RECONCILING FARM POLICY

Jonathan Coppess
University of Illinois
jwcoppes@illinois.edu

 POLICY MATTERS

Part 1.

PERSPECTIVES ON FARMING & FARM BILL HISTORY



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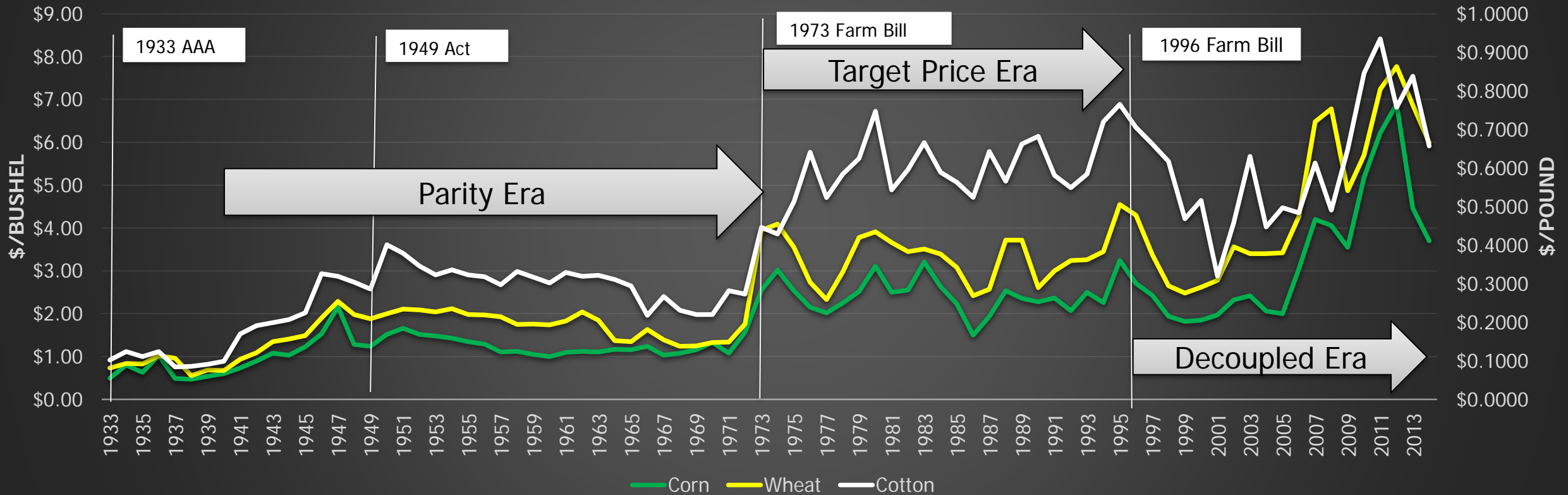
FARM BILL HISTORY SNAPSHOT

AAA (1933 & 1938)	• New Deal; Parity System <i>(including 1936 Soil Conservation & Domestic Allotment)</i>
Agricultural Act of 1949	• Permanent law; Disputes over, and breakdown of, parity system <i>(preceded by AA 1948; succeeded by AA1954, 1956 (Soil Bank) and 1958)</i>
F&AA 1965 and AA 1970	• Transitioning out of the parity system <i>(preceded by 1961 (feed grains); 1962 (corn/wheat); 1964 (wheat/cotton))</i>
ACPA of 1973	• Target prices & food stamps <i>(succeeded by 1977 and 1981 farm bills)</i>
Food Security Act of 1985	• Target prices, marketing loans and conservation (CRP & compliance)
FAIR Act of 1996	• Decoupled and fixed payments <i>(preceded by 1990-triple base)</i>
FSRIA of 2002	• \$73b; Direct & Counter-cyclical payments; CSP
FCEA of 2008	• RFS era; add revenue
Agricultural Act of 2014	• End DP; ARC vs. PLC



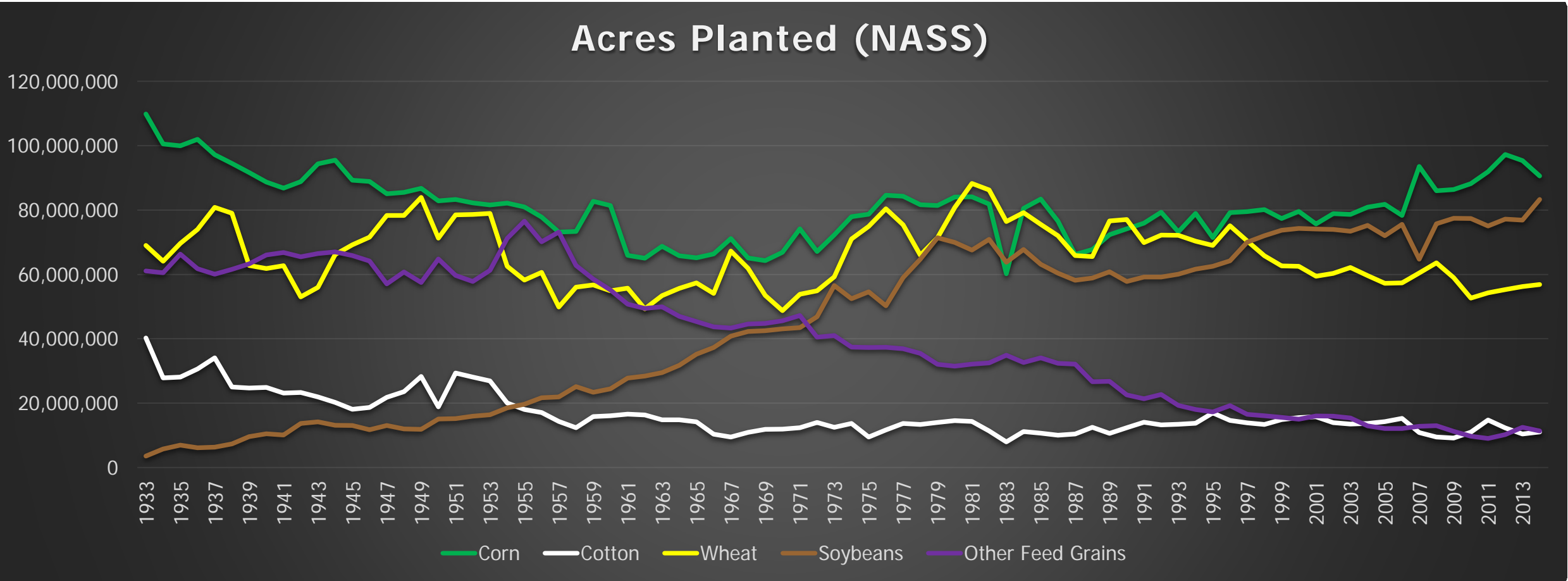
CROP PRICES & FARM POLICY BY ERA

Prices Received-Marketing Year (NASS)



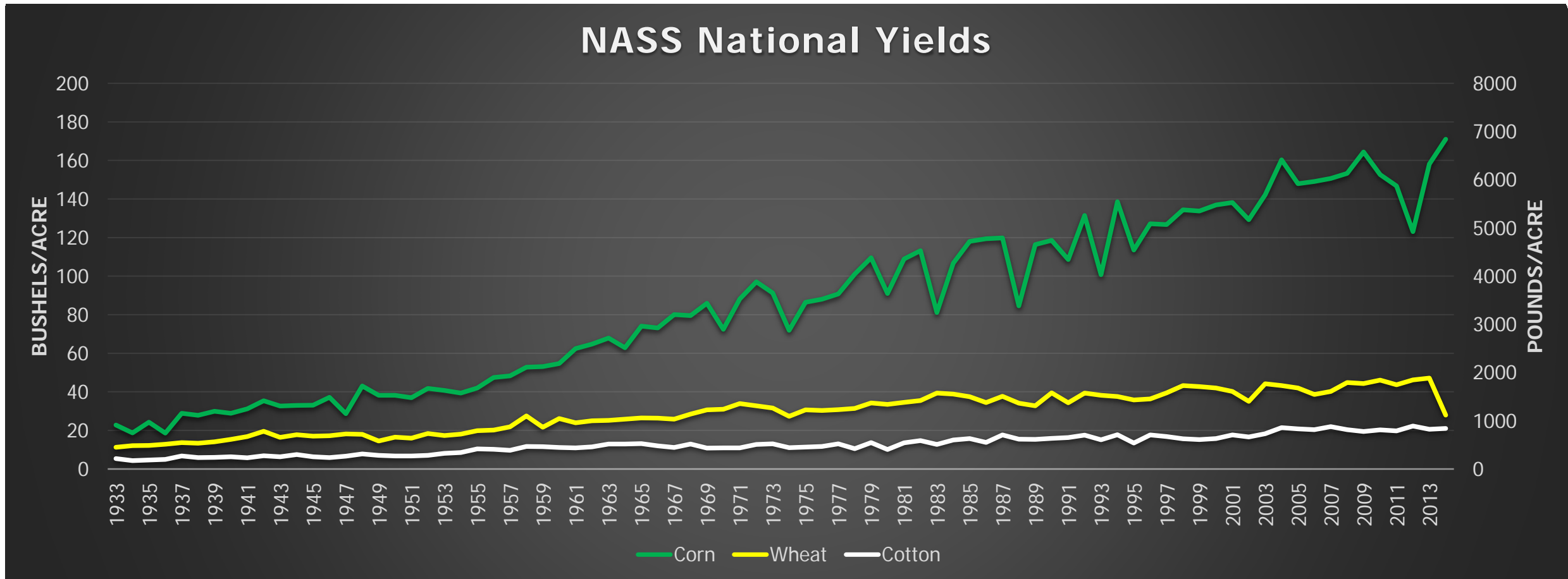
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PLANTED ACRES IN FARM BILL HISTORY



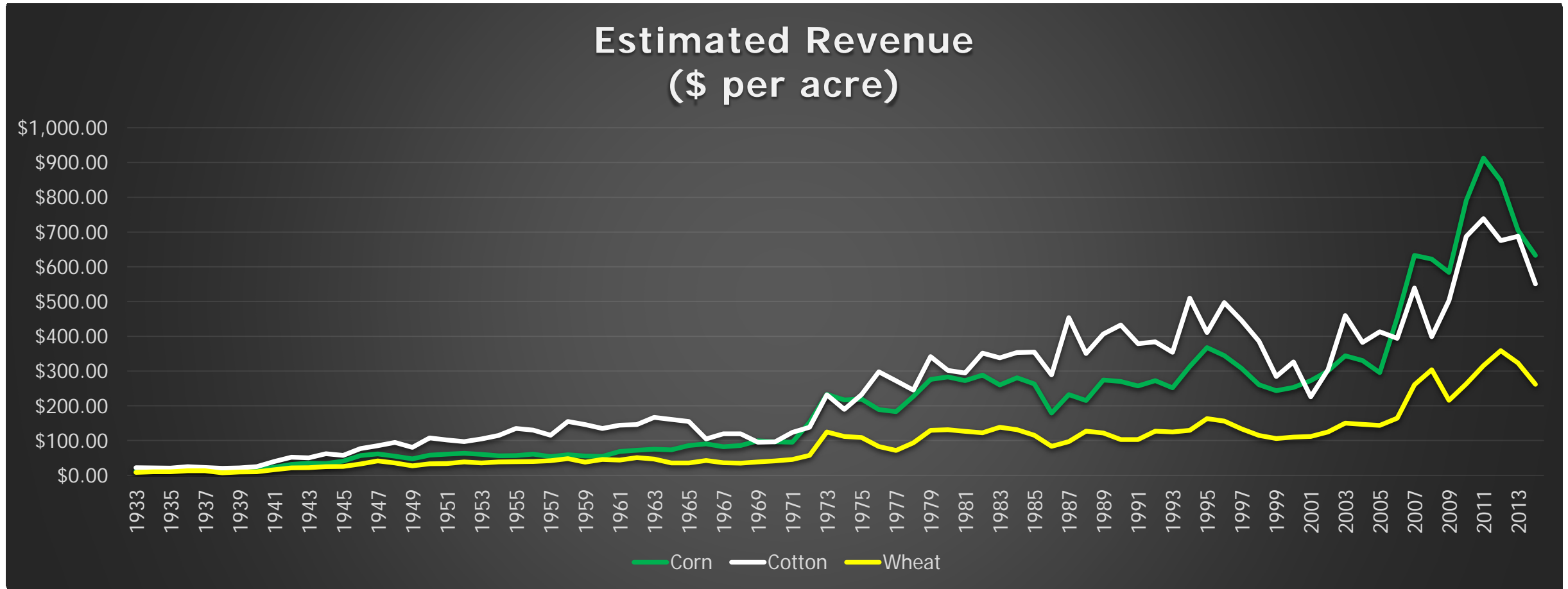
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PRODUCTIVITY INCREASES THRU FARM BILL HISTORY



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REVENUE COMPARISON THRU FARM BILL HISTORY

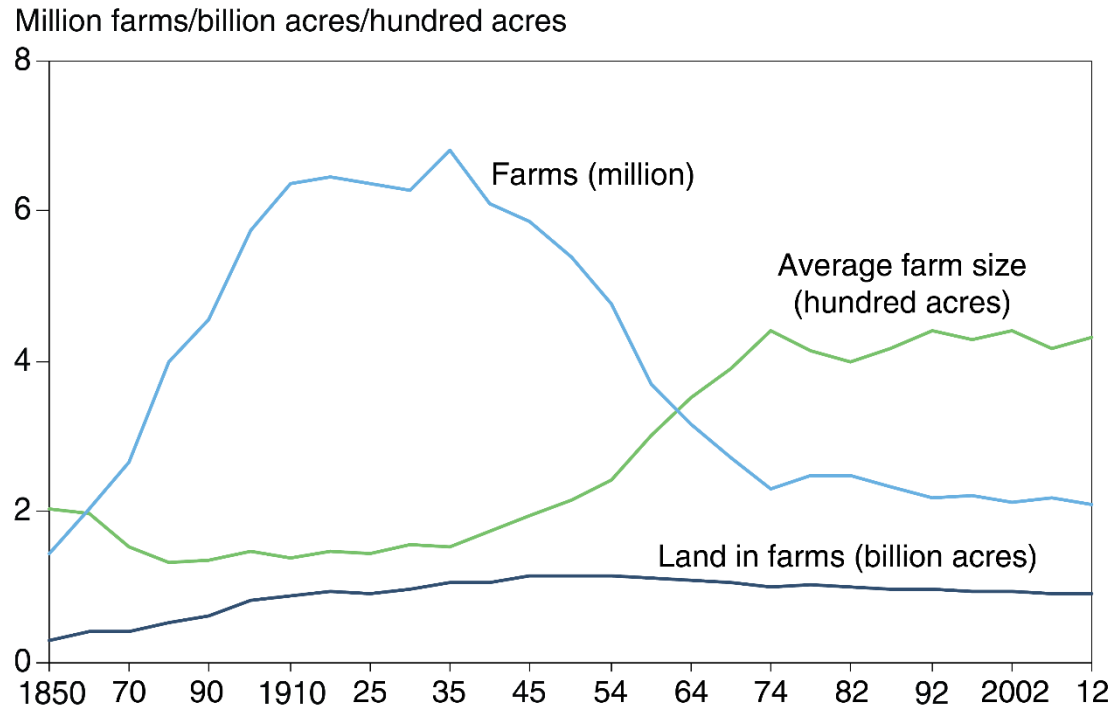


Note: Estimated revenue based upon NASS Quick Stats; national average yields multiplied by average prices received by farmers during the marketing year.



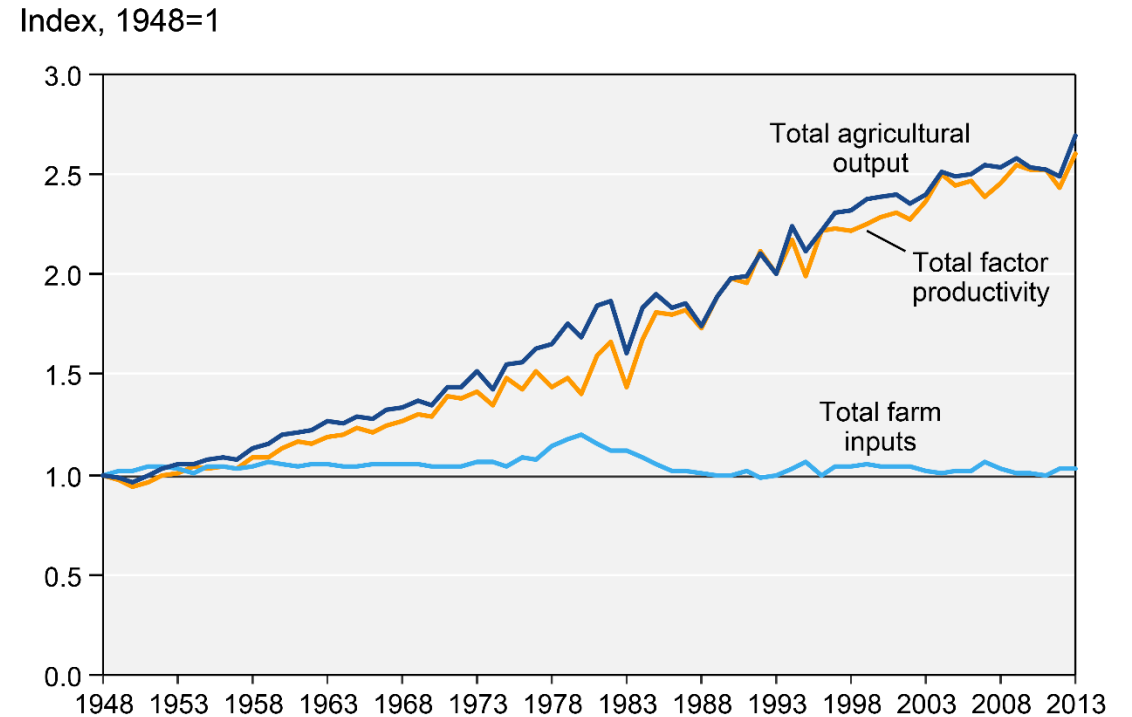
FUNDAMENTAL CHANGES IN FARMING

Farms, land in farms, and average acres per farm, 1850–2012



Source: USDA, Economic Research service using data from USDA, National Agricultural Statistics Service, Census of Agriculture.

U.S. agricultural output, inputs, and total factor productivity

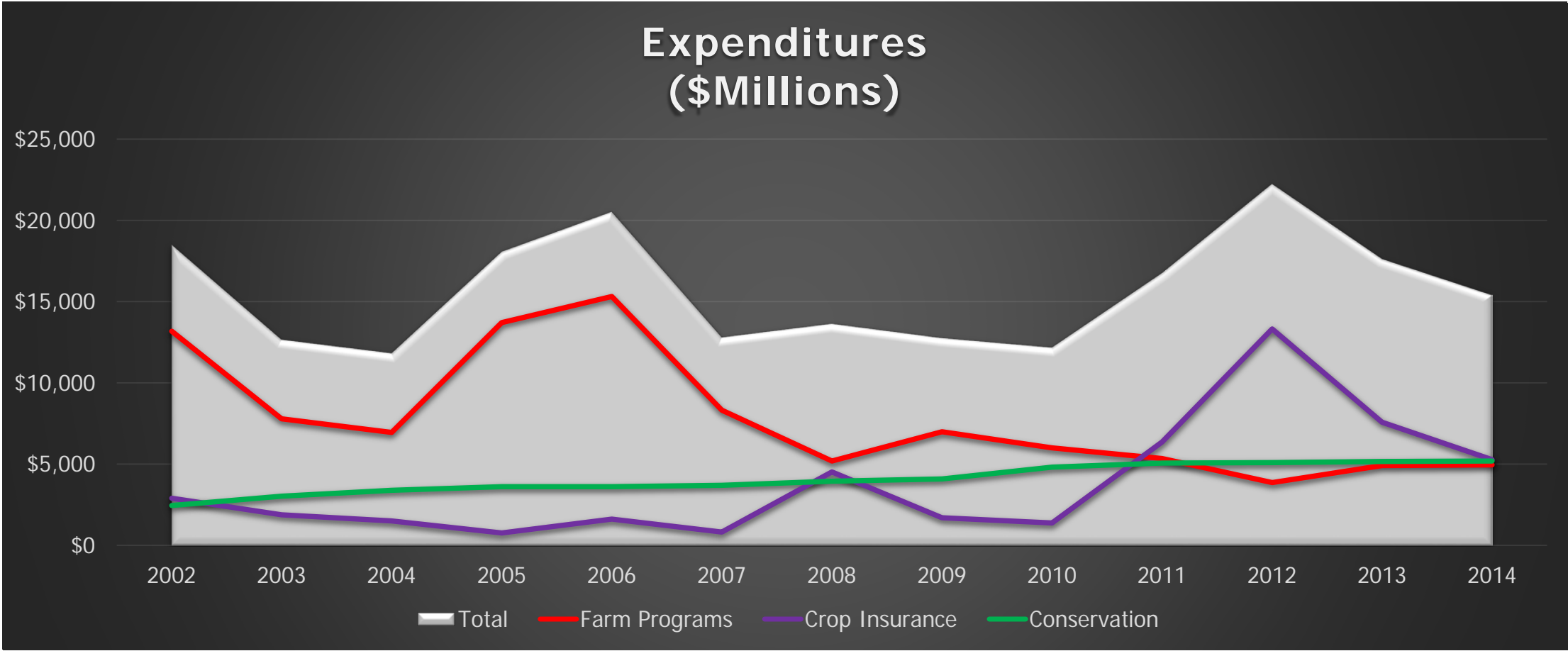


Source: USDA, Economic Research Service, Agricultural Productivity in the U.S. data product. Data as of December 2015.

See: <http://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income.aspx>



MEASURING 'FARMER EXPENDITURES'



Notes: crop insurance expenditures are the calculated benefits to the farmer, indemnities less farmer paid premium; RMA statement of business data.



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Part 2.

THE FARM BILL COALITION



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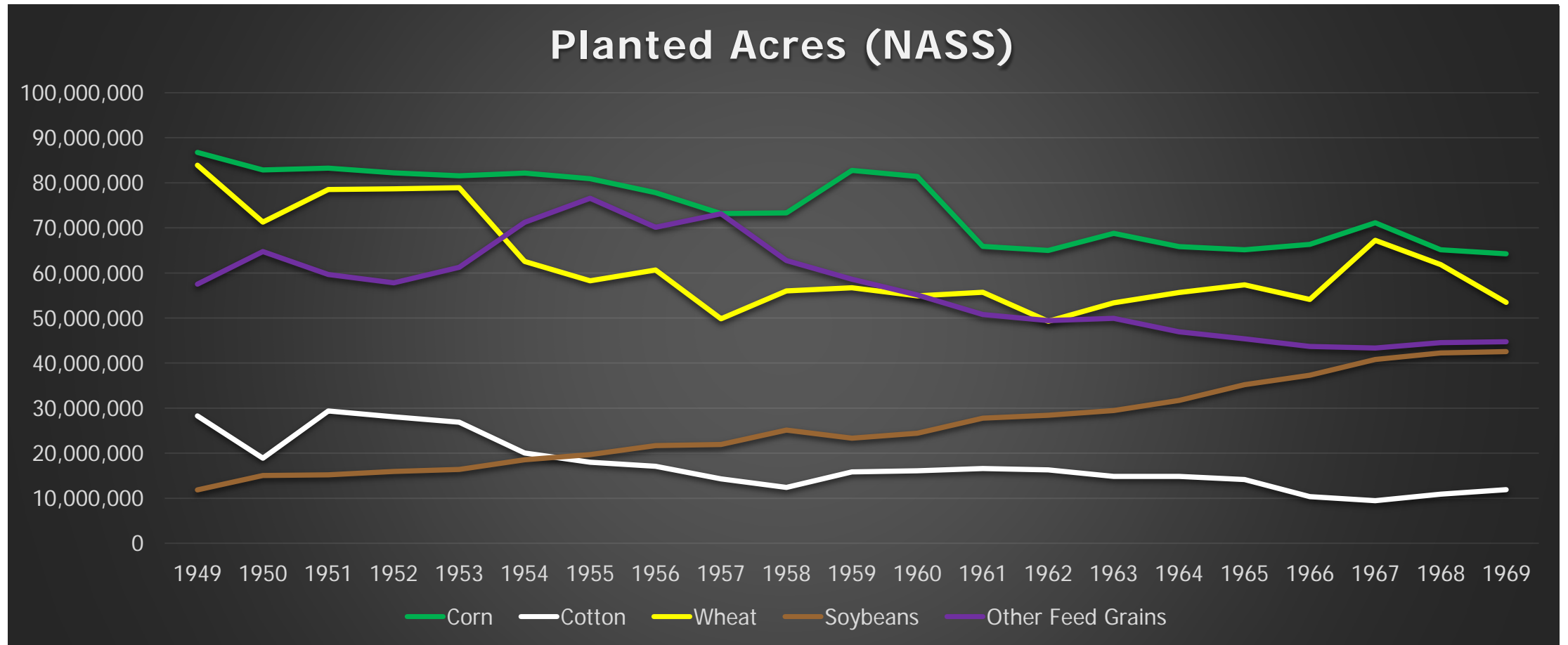
THE TRADITIONAL FARM COALITION

- ❖ Corn-cotton-wheat represent the major commodity growing regions;
- ❖ They account for the regional political divisions in farm policy: Midwest-South-Great Plains/West;
- ❖ Competition and disputes can be fierce; generally define policy development;
- ❖ Competition has evolved...

USDA Farm Production Regions



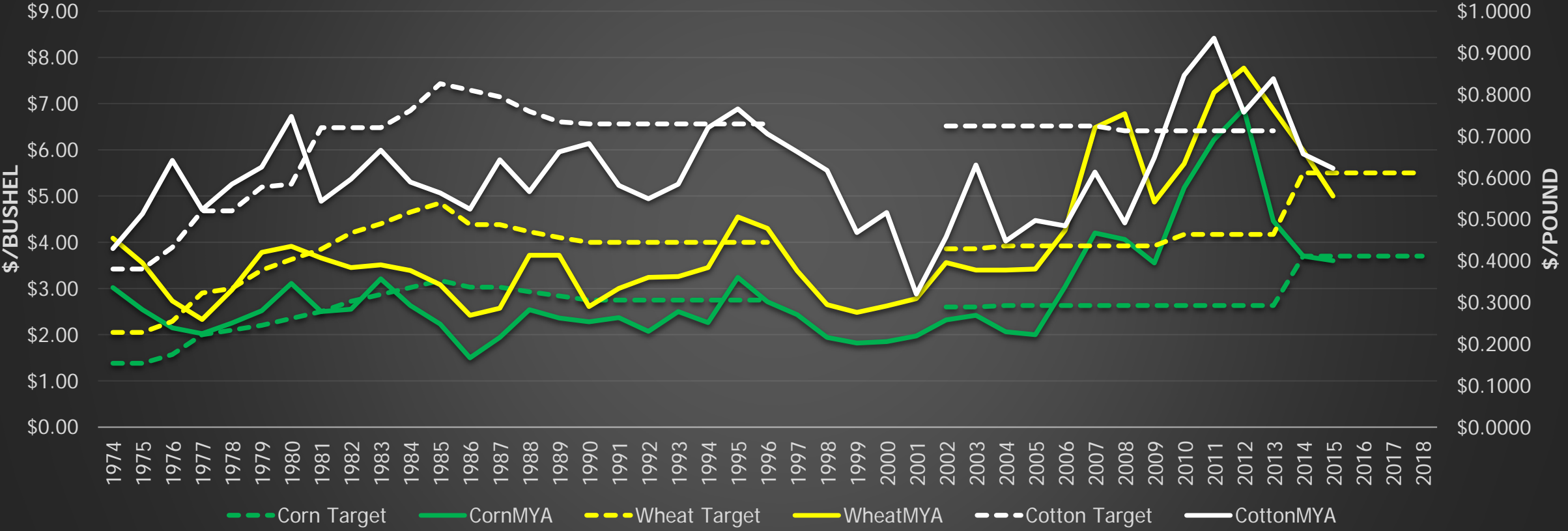
ACREAGE COMPETITION IN THE PARITY ERA



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TARGET PRICE COMPETITION

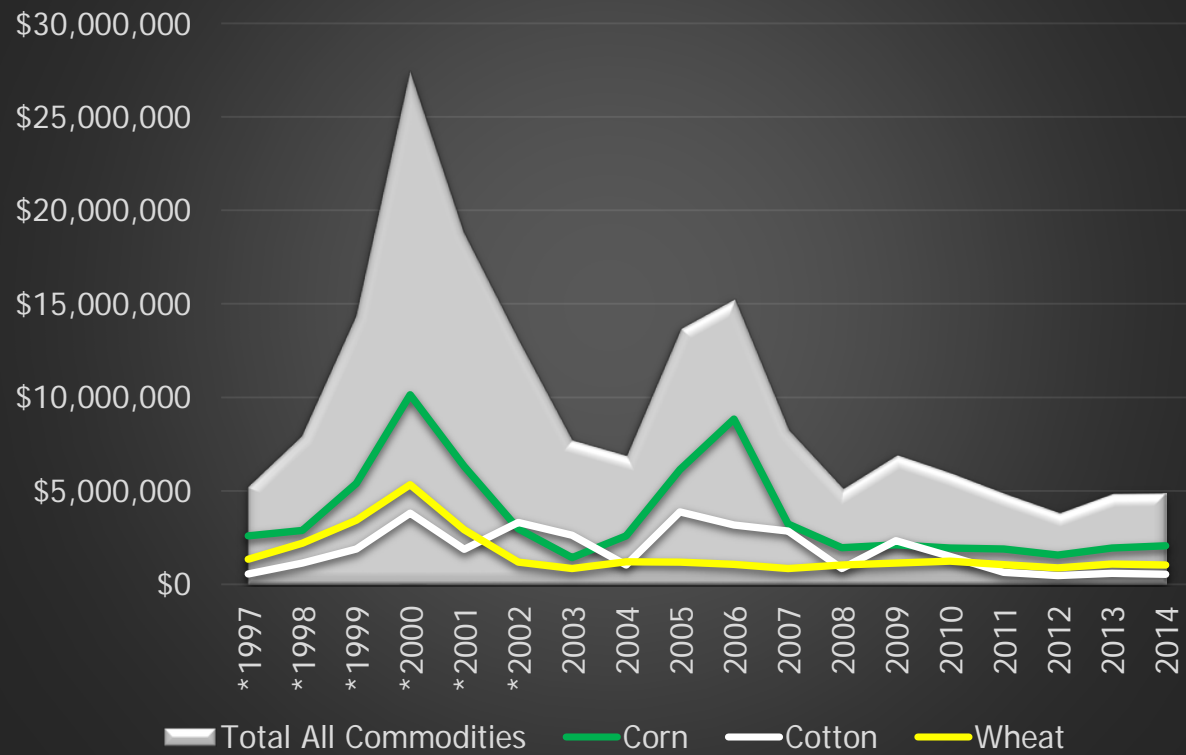
Price Comparison



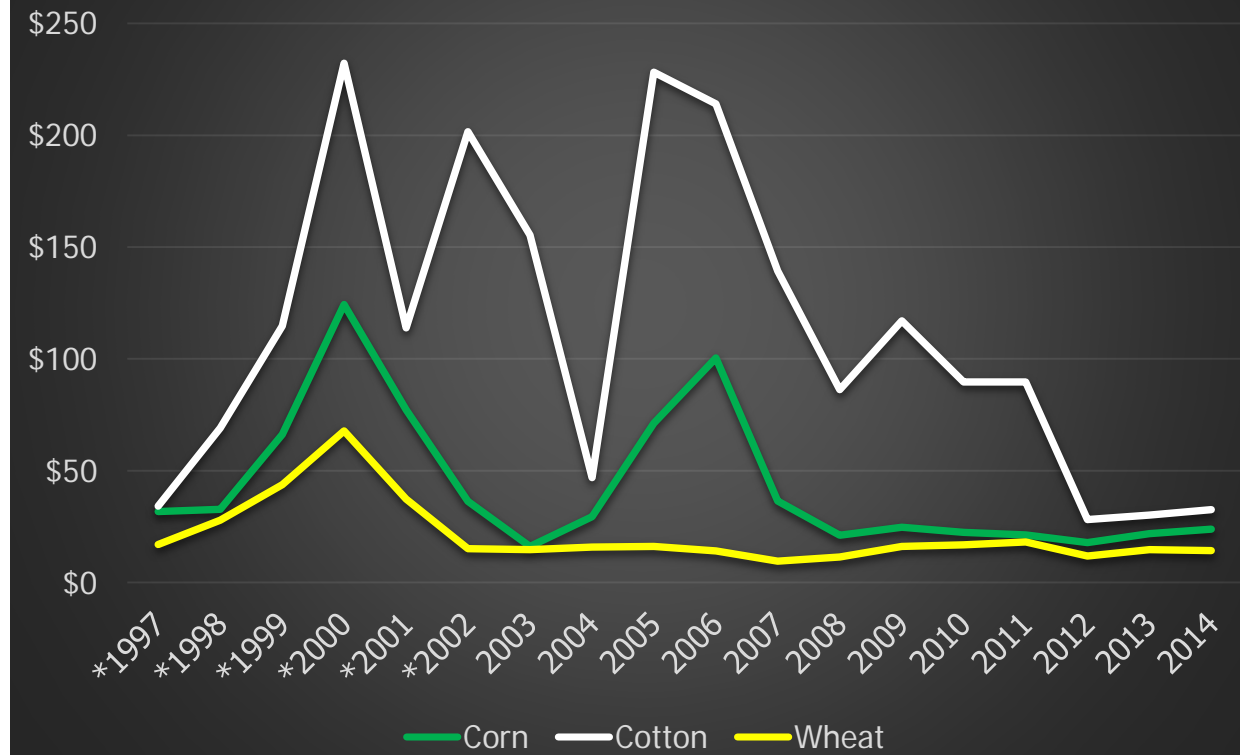
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SPENDING COMPETITION IN THE DECOUPLED ERA

CCC Expenditures-Fiscal year (\$000s)



CCC Expenditures-Fiscal year (\$/program acre)

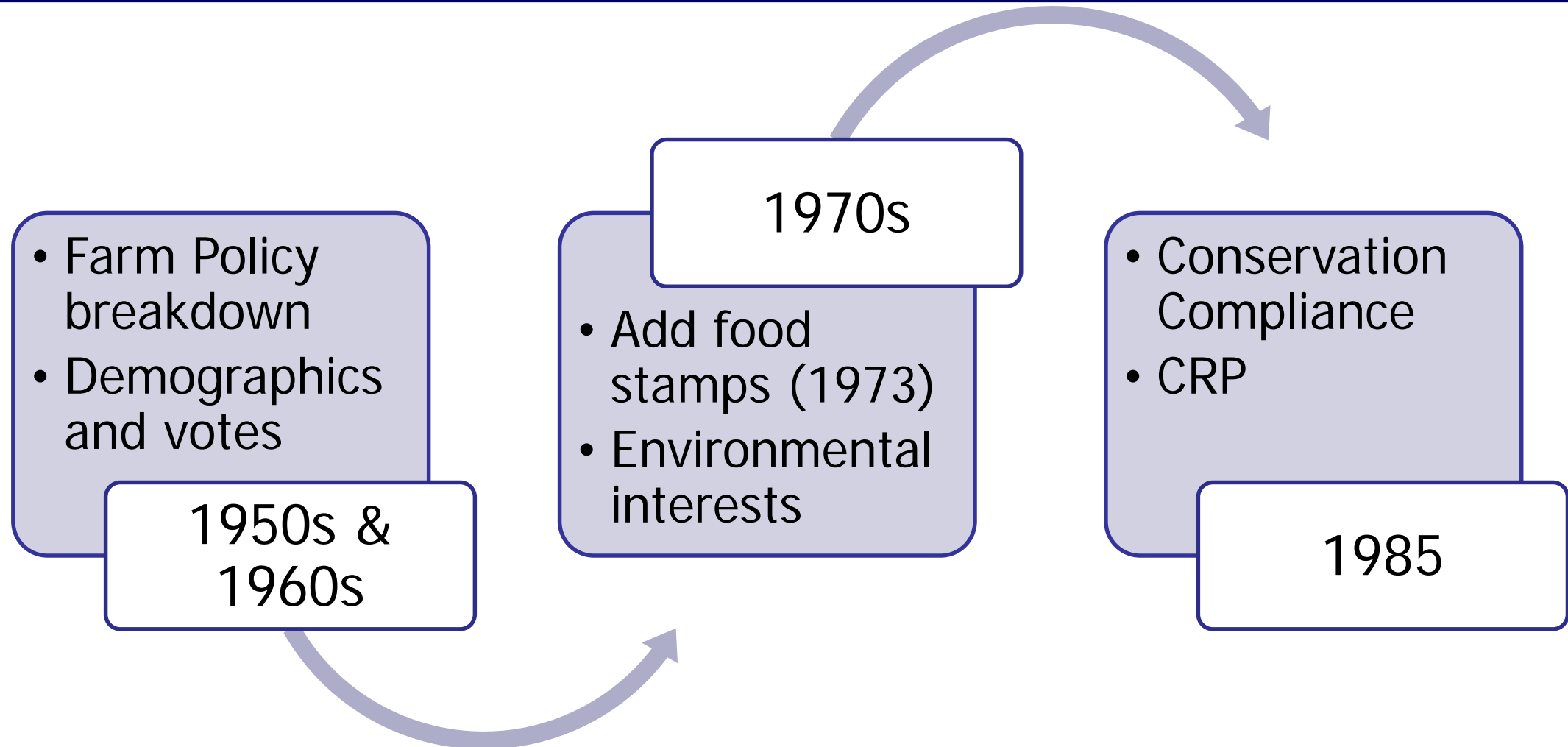


Notes: *indicates years with emergency disaster/market loss assistance payments; after 2003, only includes Direct Payments, Counter-Cyclical Payments and Marketing Assistance Loan benefits (including LDP)



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Further Coalition Building

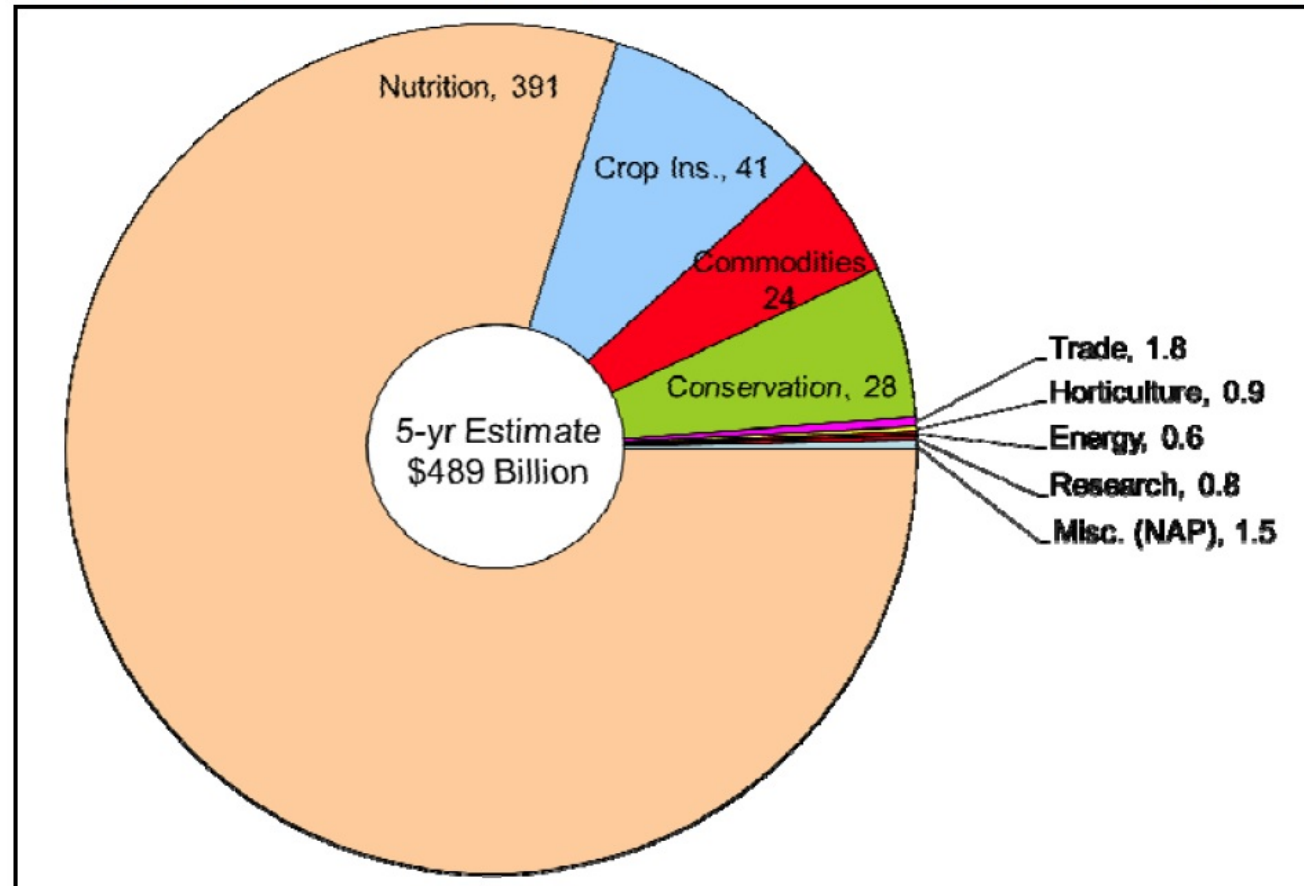


FARM BILL COALITION: SPENDING

Figure 2. Projected Outlays in the 2014 Farm Bill

(five-year projected mandatory outlays FY2014-FY2018 in billions of dollars by title)

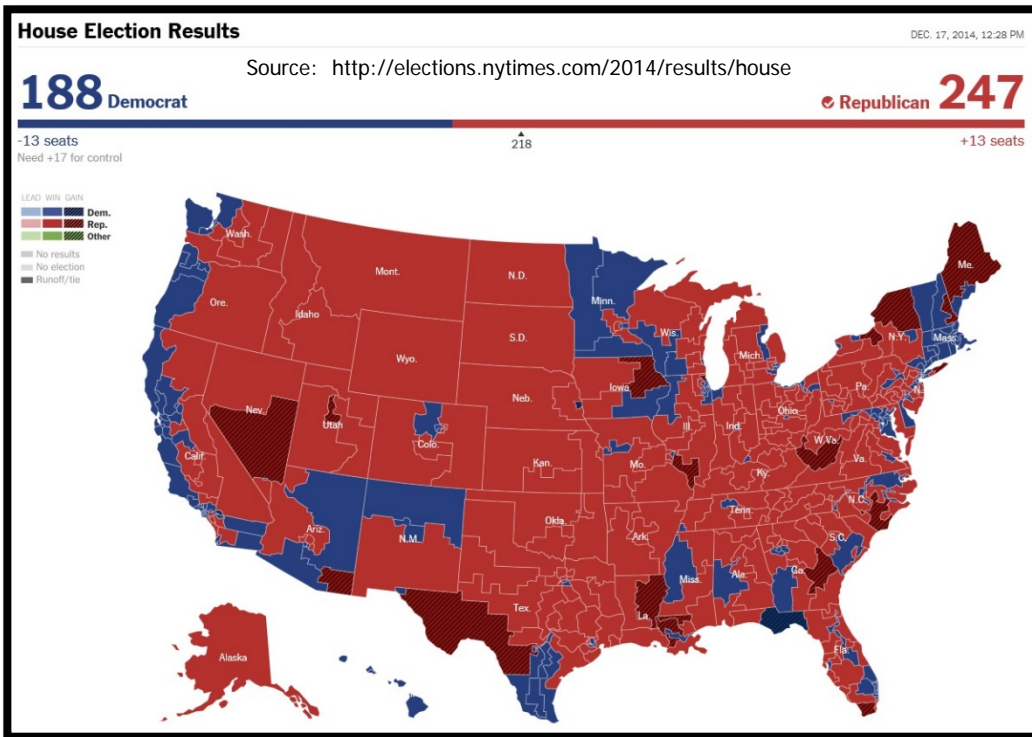
- Nutrition title makes up the bulk of spending, mostly Supplemental Nutrition Assistance Program.
- SNAP is largest constituency in farm bill (over 40 million participants)
- Conservation expanded from retirement policies to working lands.
- Crop insurance spending and role has grown since Agriculture Risk Protection Act of 2000.



Source: CRS, using CBO's 2014 farm bill cost estimates (<http://www.cbo.gov/publication/45049>).

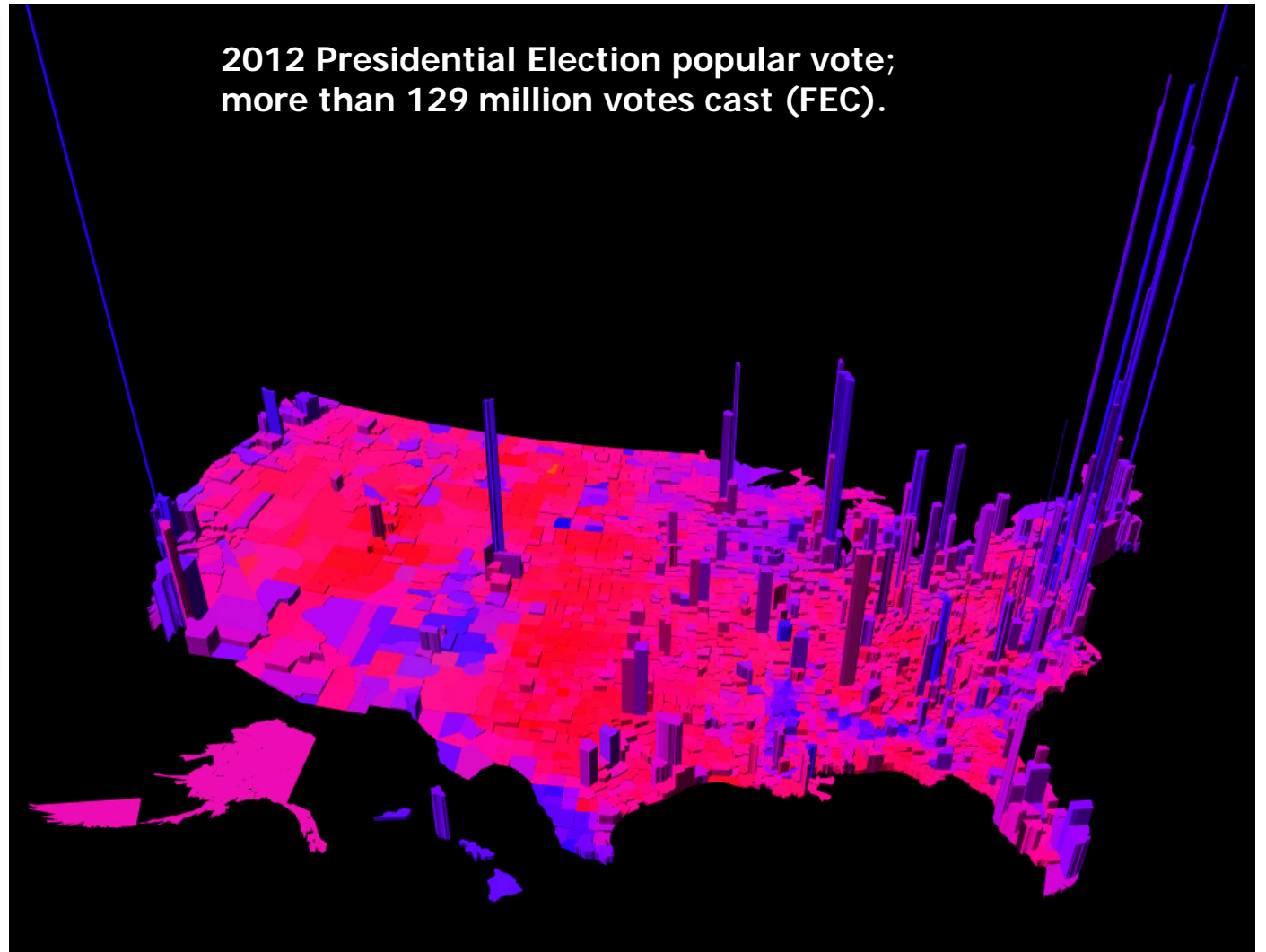


FARM BILL COALITION EXPLAINED.



2014 Midterms: more than 83 million ballots counted. (<http://www.electproject.org/2014g>)

USDA counted 2.1 million **farms** in the 2012 Census



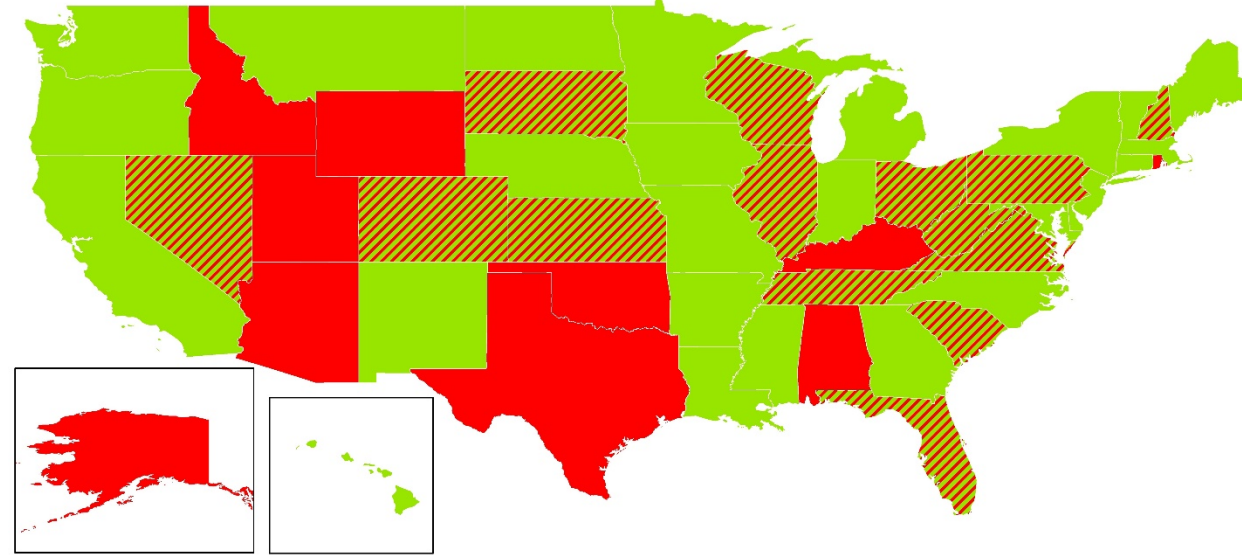
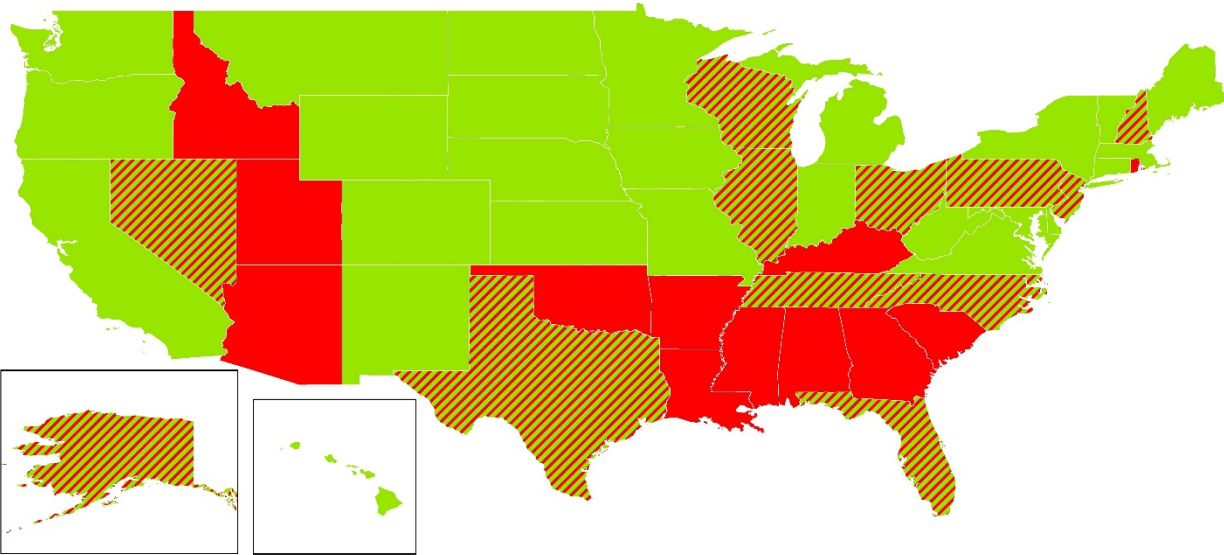
Source: <http://www.princeton.edu/~rvdb/JAVA/election2012/>



CHALLENGED IN 2014 DEBATE: SENATE

2012 Senate Farm Bill Vote

2013 Senate Farm Bill Vote



Passed 64 to 35

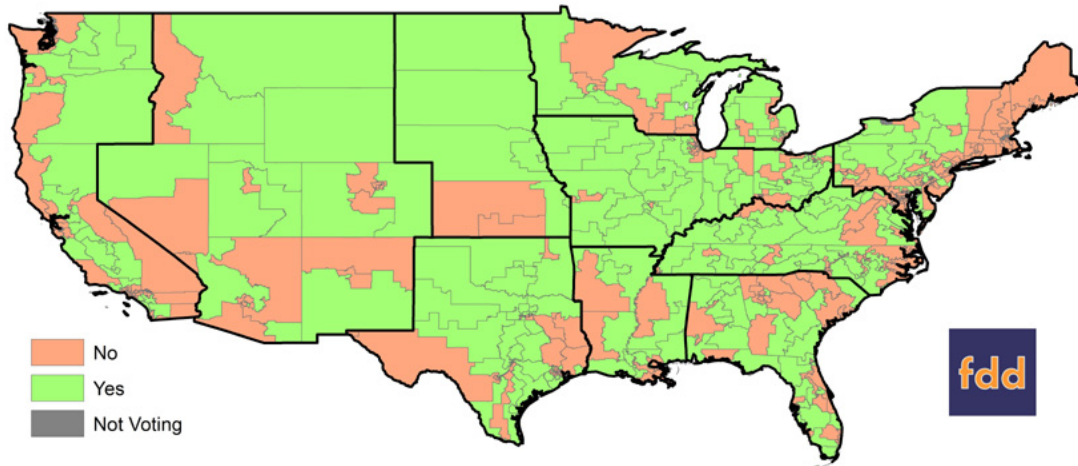
Passed 66 to 27

Green = 2 Yes
Red = 0 Yes
Striped = 1 Yes



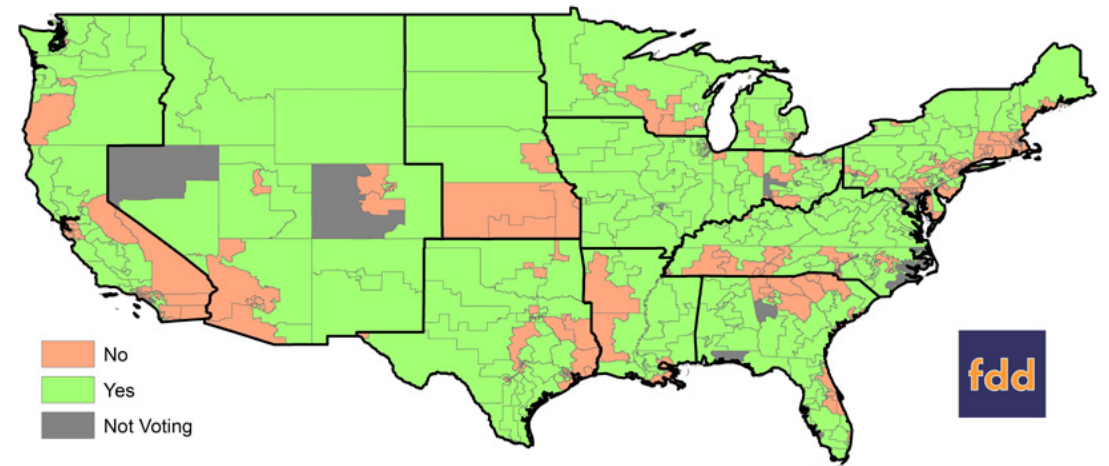
CHALLENGED IN 2014 DEBATE: HOUSE

Figure 1. Voting results of roll 268



Farm Bill defeated June 20, 2013 (195 to 234)
after controversial SNAP amendments.

Figure 2. Voting results of roll 31



Final Passage of the Agricultural Act of 2014 on
January 29, 2014 (251 to 166) without
controversial SNAP amendments.



Part 3.

LOOKING AHEAD TO THE NEXT FARM BILL.



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ISSUES FOR NEXT FARM BILL

1. Lower prices & incomes

2. Farm Policy Debate

- ✓ Lower baseline
- ✓ Revenue vs. Price; cotton?

3. Natural Resources Challenges...water

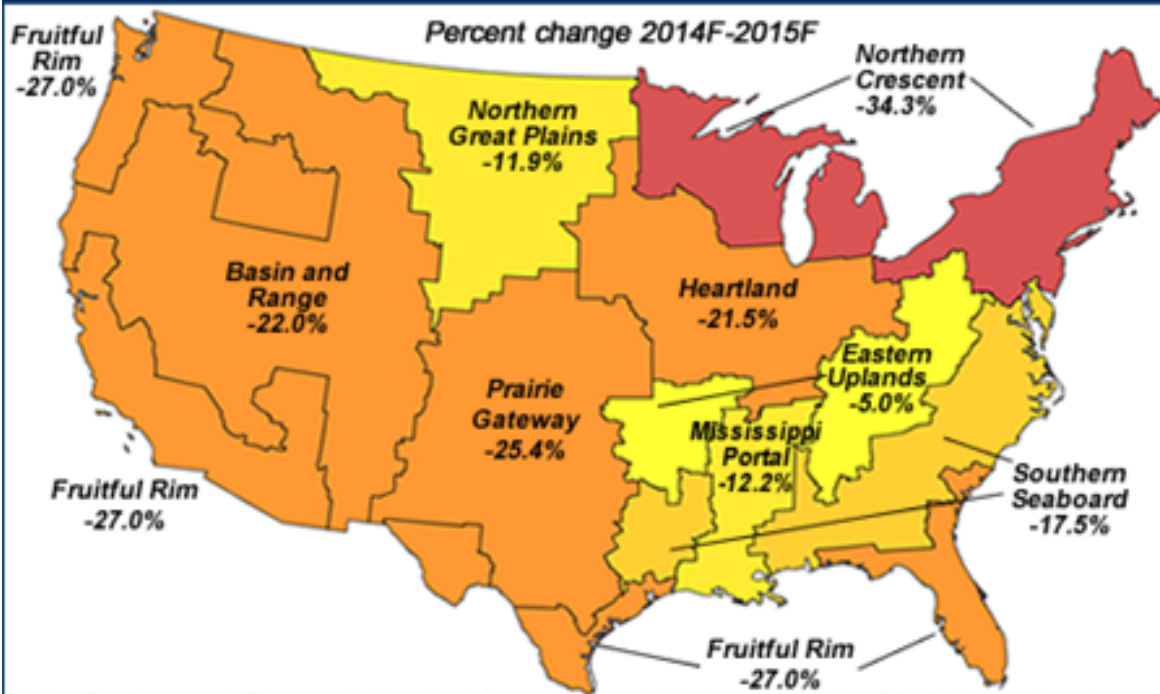
4. Spending and Priorities

- ✓ Lower Baseline
- ✓ Farm Programs; Conservation; Crop Insurance; SNAP



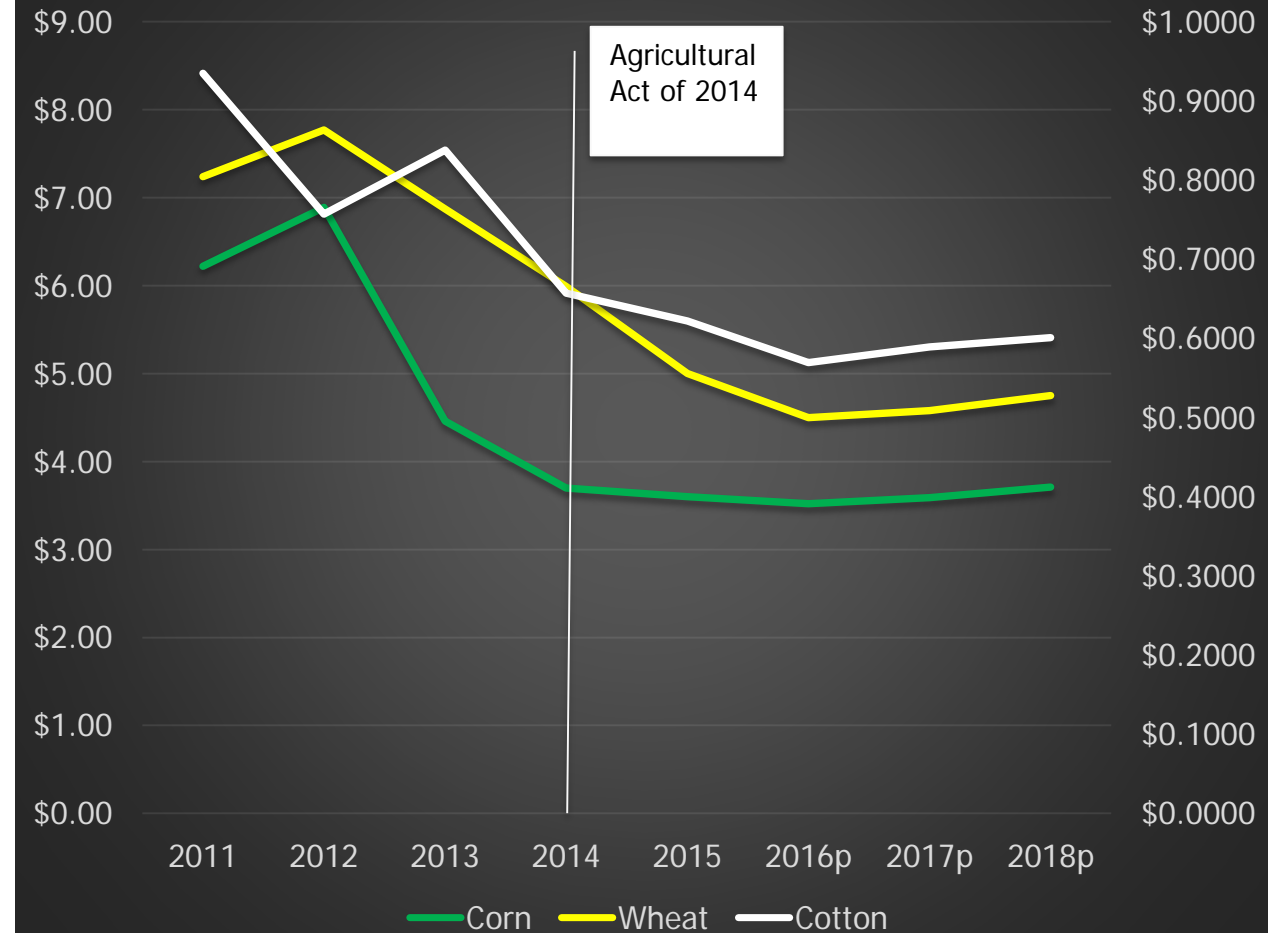
1. Lower Prices & Incomes

Farm business average net cash income by resource region, 2015F compared with 2014F



Note: F = forecast. The partial budget forecast model is based on the 2013 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and does not account for changes in crop rotation, weather, and other location production impacts that occurred after the base year. Data as of February 10, 2015. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Marketing Year Average Prices



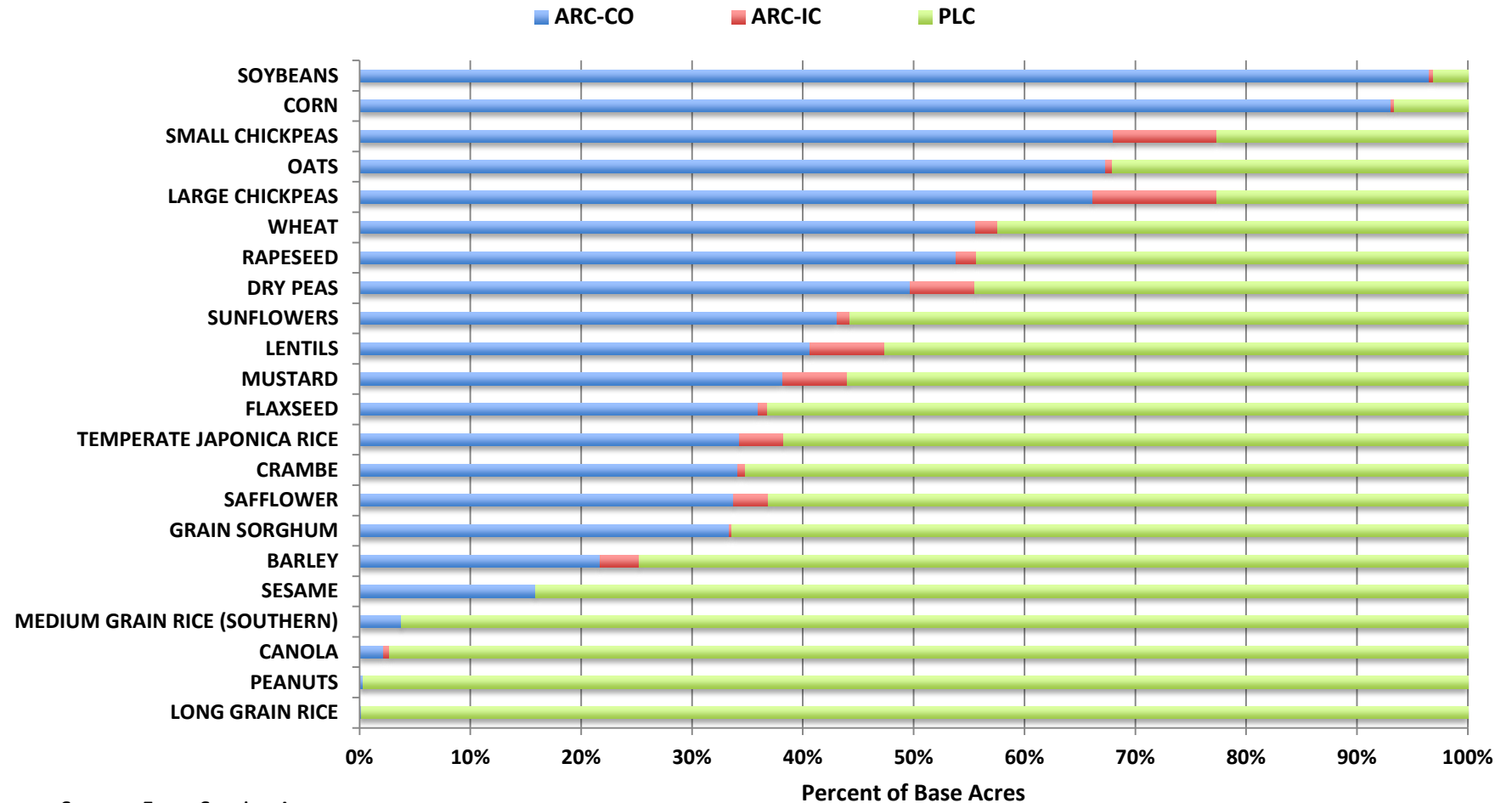
Notes: NASS Quick Stats; project prices, CBO March 2016 Baseline



2. FARM POLICY DEBATE

Figure 1. Percent of Base Acres Enrolled in ARC and PLC.

- ✓ ARC/PLC Election provides perspective on split in farm policy views.
- ✓ Majority of base acres in ARC-CO due to high election by corn and soybeans.
- ✓ Cotton removed due to WTO dispute with Brazil; seeking a return?



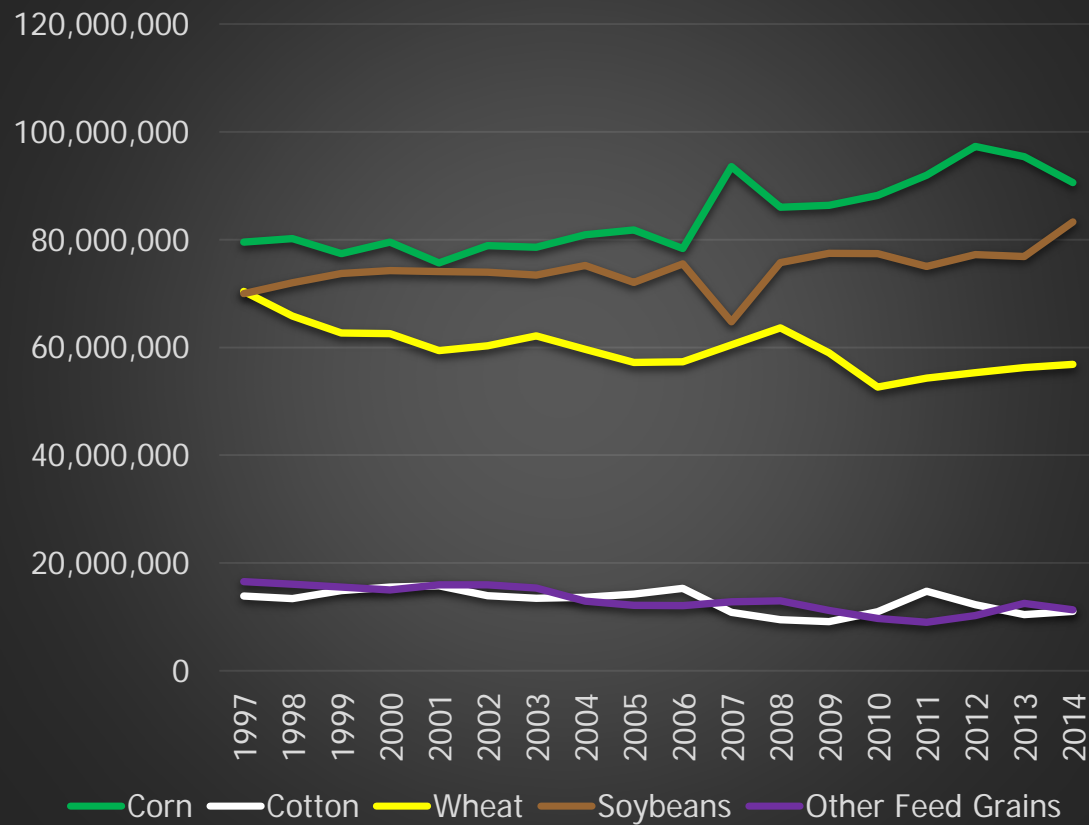
Source: Farm Service Agency

FarmdocDaily, June 16, 2015

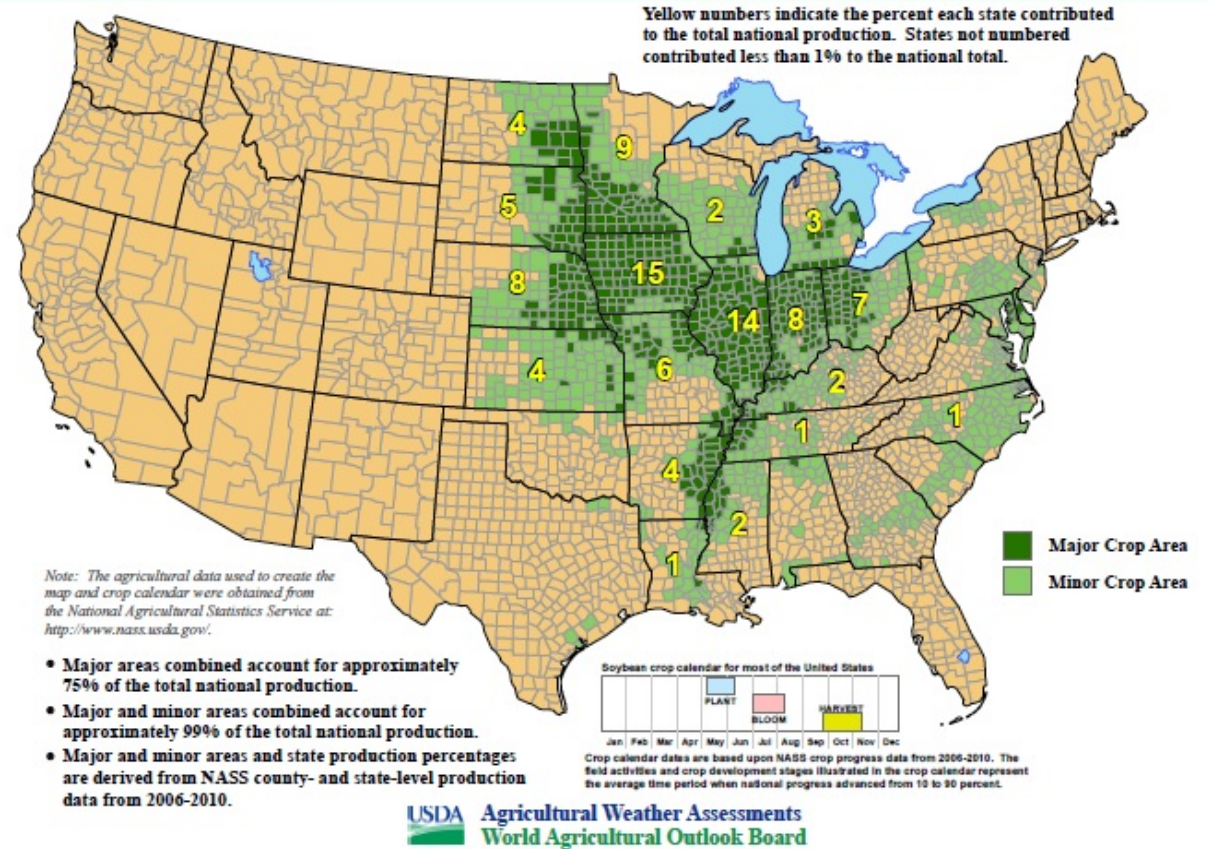


2. FARM POLICY DEBATE: SOYBEANS

Acres Planted (NASS)



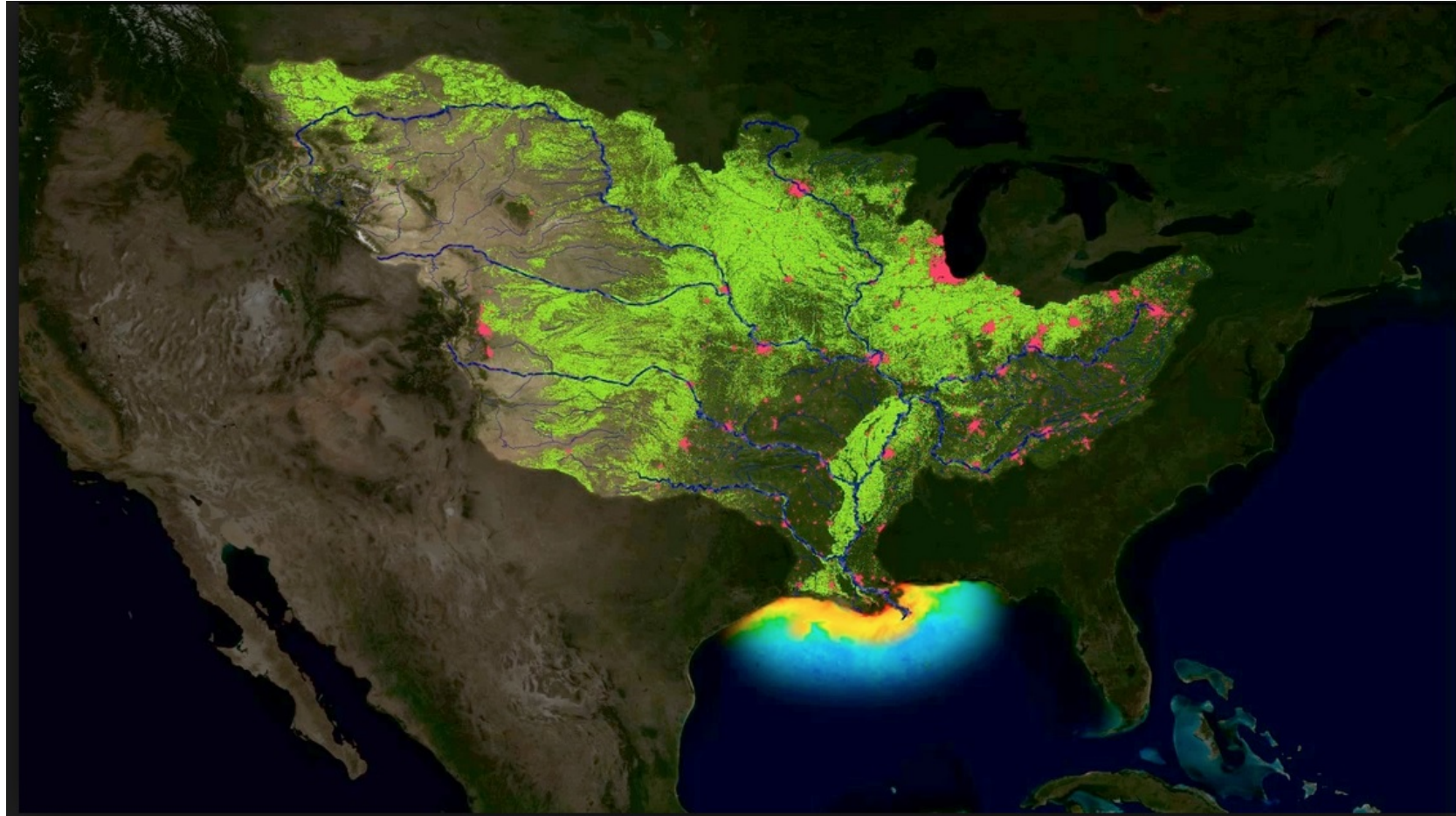
United States: Soybeans



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3. NATURAL RESOURCE CHALLENGES...WATER

- ❖ MRB is third largest drainage basin in the world (41% of the 48 contiguous states);
- ❖ 5,000 sq. mi. dead zone (2014); Agriculture may contribute as much as 70% of delivered nitrogen and phosphorous
- ❖ Plus: Chesapeake Bay; Western Lake Erie; Drought and water quantity problems in the West.

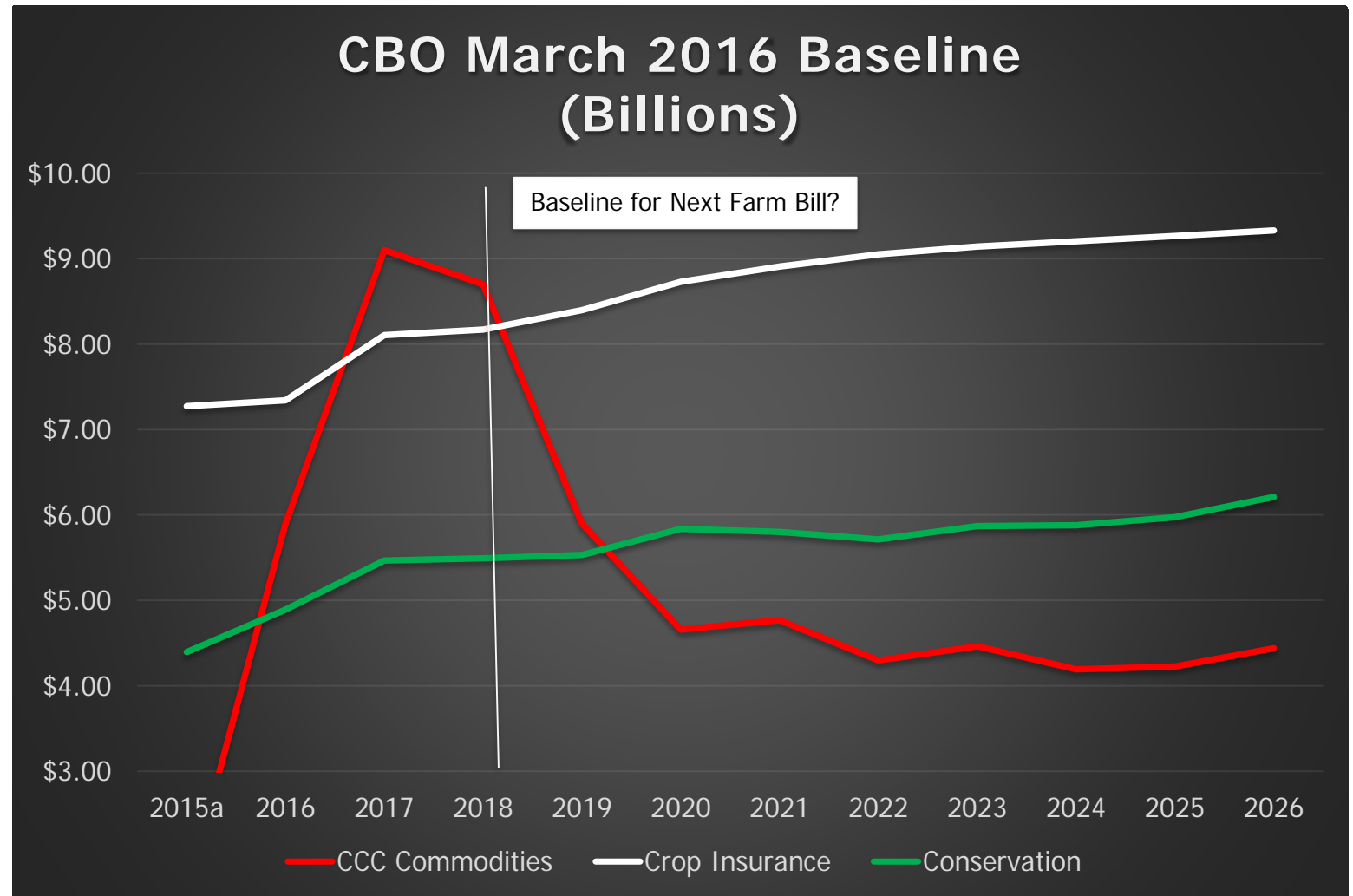


Source: http://www.noaanews.noaa.gov/stories2011/20110728_sullivan.html



4. SPENDING & PRIORITIES

- With budget pressure: partisan and difficult; competition for resources
- A question of priorities within the farm policy budget baseline.



Part 5.

RECONCILING WITH NEEDS

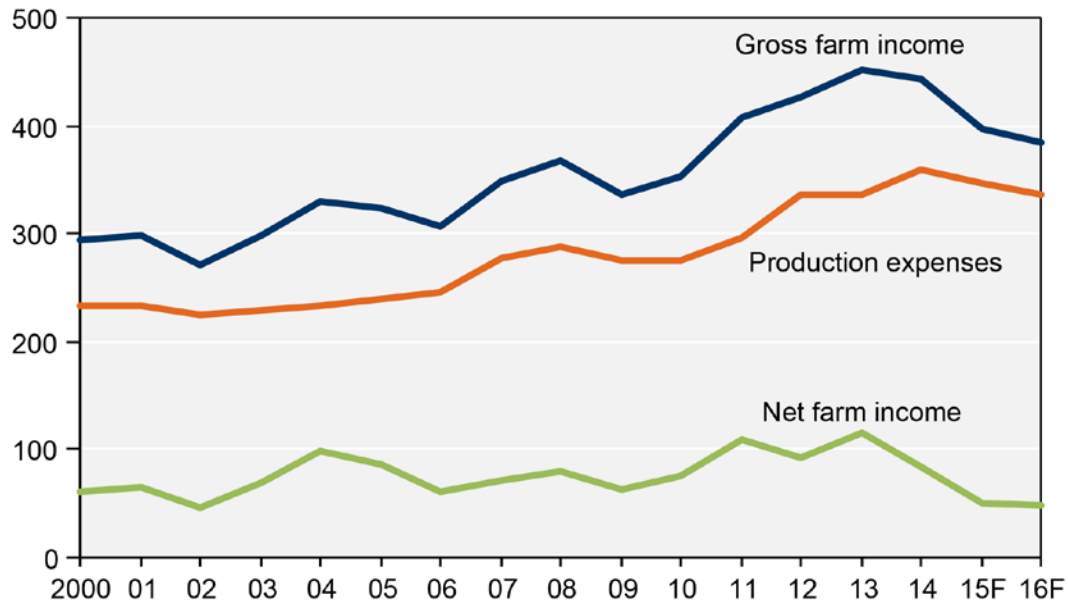


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FARM RISK

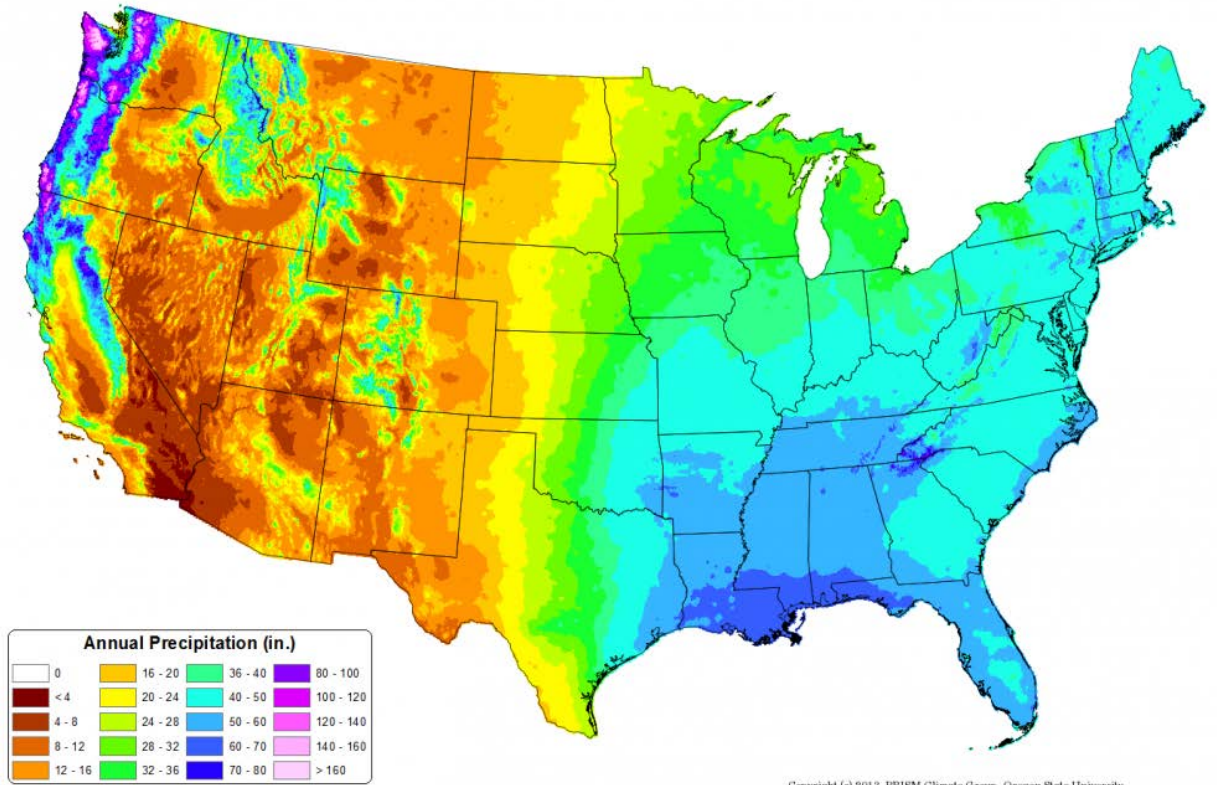
Gross farm income, production expenses, and net farm income, inflation adjusted, 2000-16F

\$ billion (constant 2009)



Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2009=100.
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 9, 2016.

30-yr Normal Precipitation: Annual
 Period: 1981-2010



<https://climatedataguide.ucar.edu/climate-data/prism-high-resolution-spatial-climate-data-united-states-maxmin-temp-dewpoint>



MANAGING FARM RISKS: FARM PROGRAMS

Target Prices

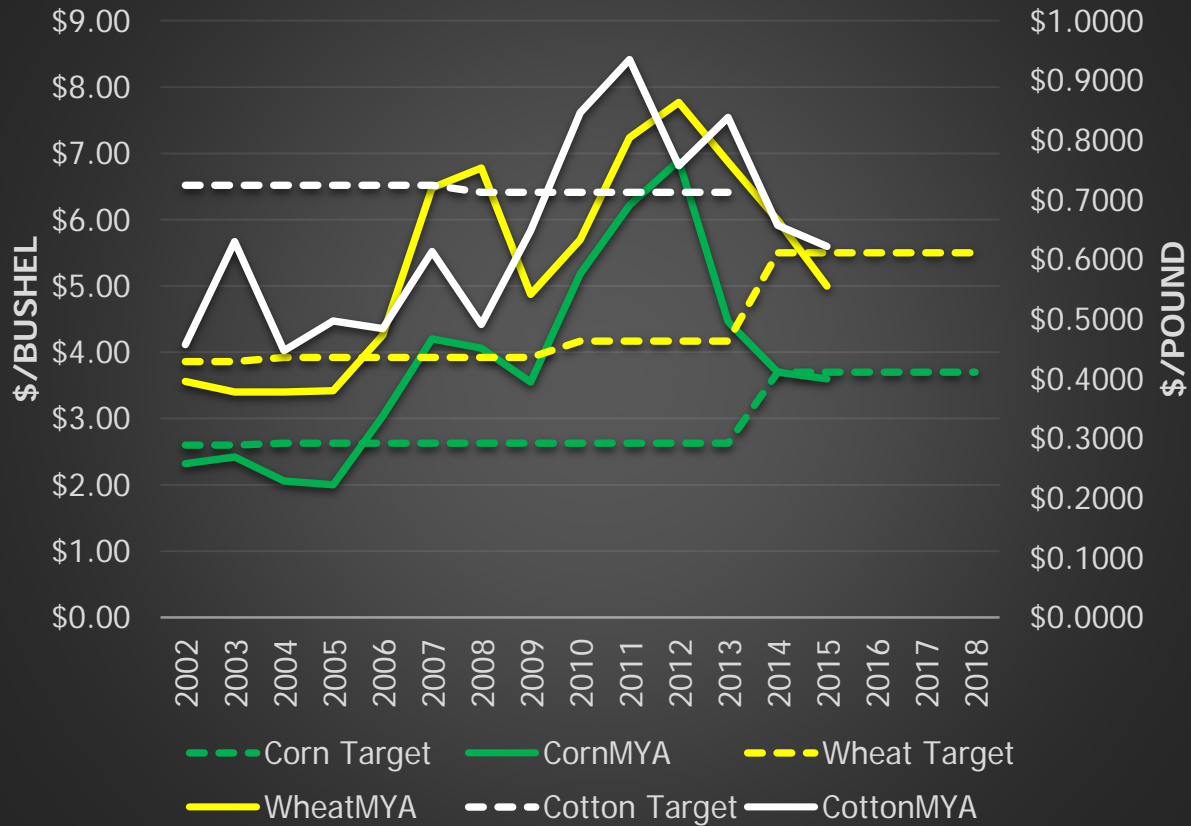
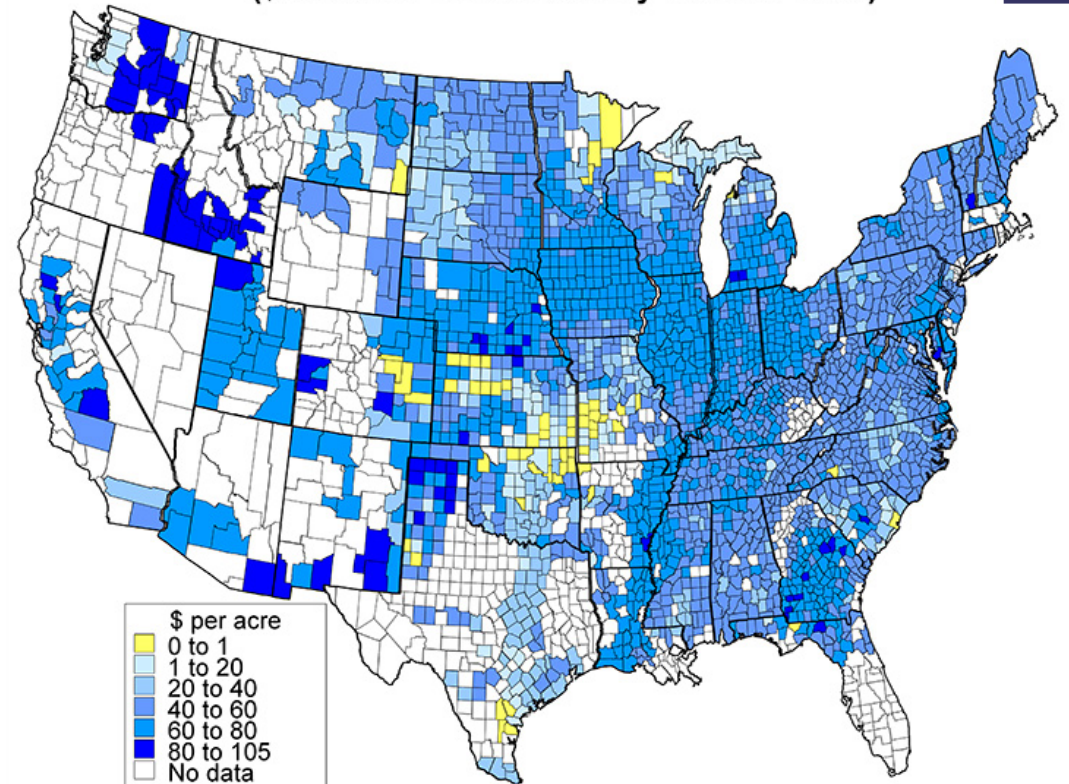


Figure 2. Projected 2016 ARC-CO Payments for Corn (\$3.35 MYA Price and County Yields at Trend)

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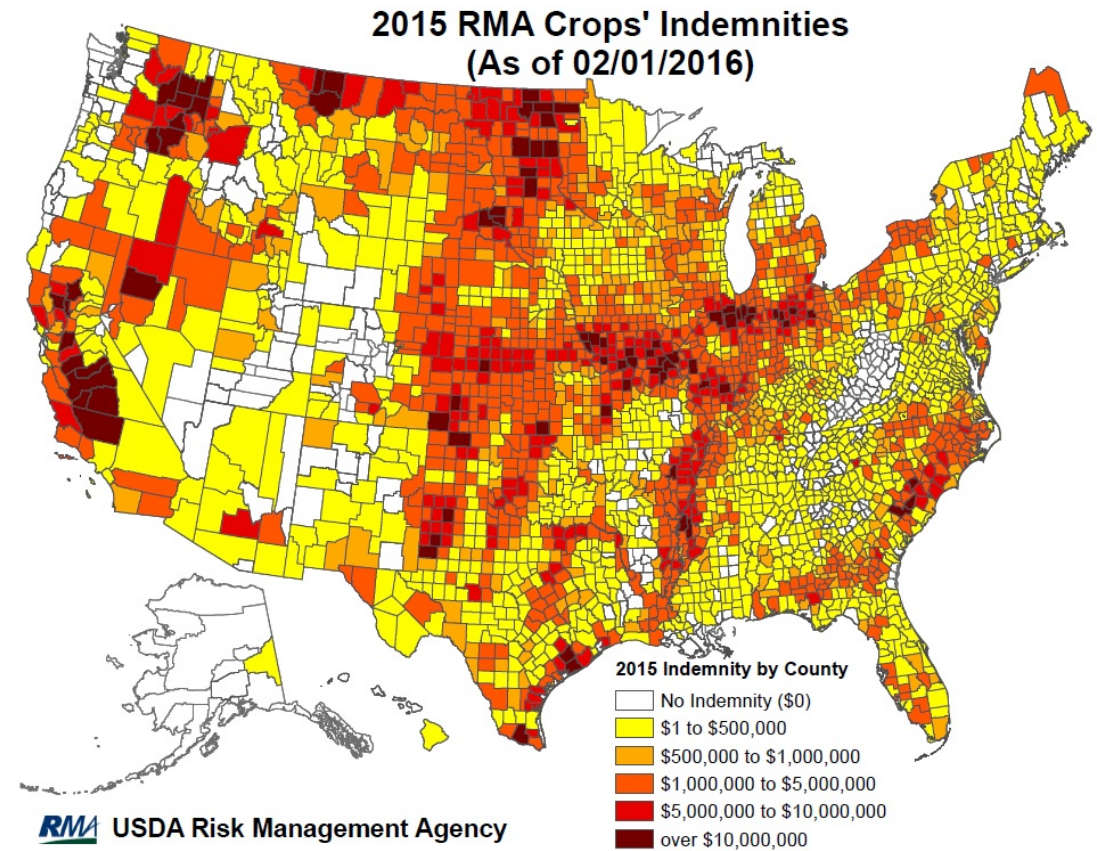
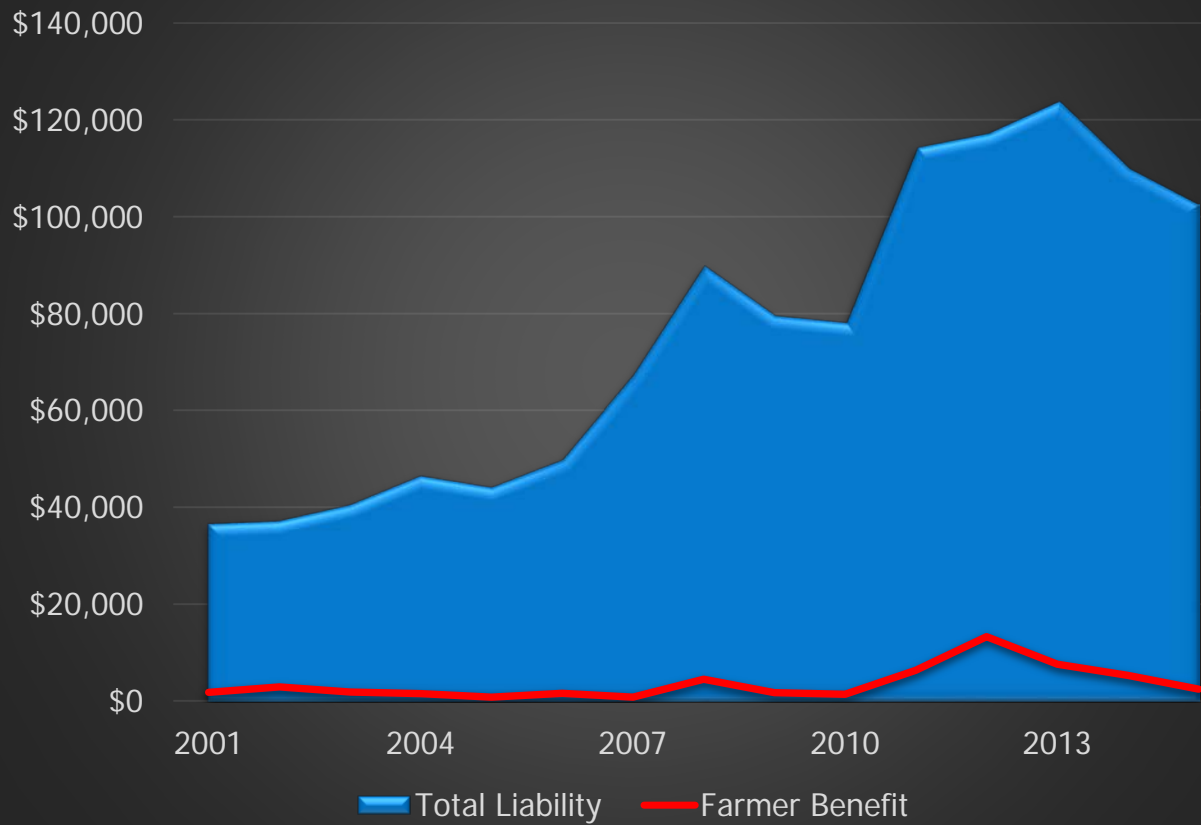
Note: Some counties have irrigated and non-irrigated payments. In this map, payments are reported for irrigated farmland.



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MANAGING FARM RISKS: CROP INSURANCE

Crop Insurance

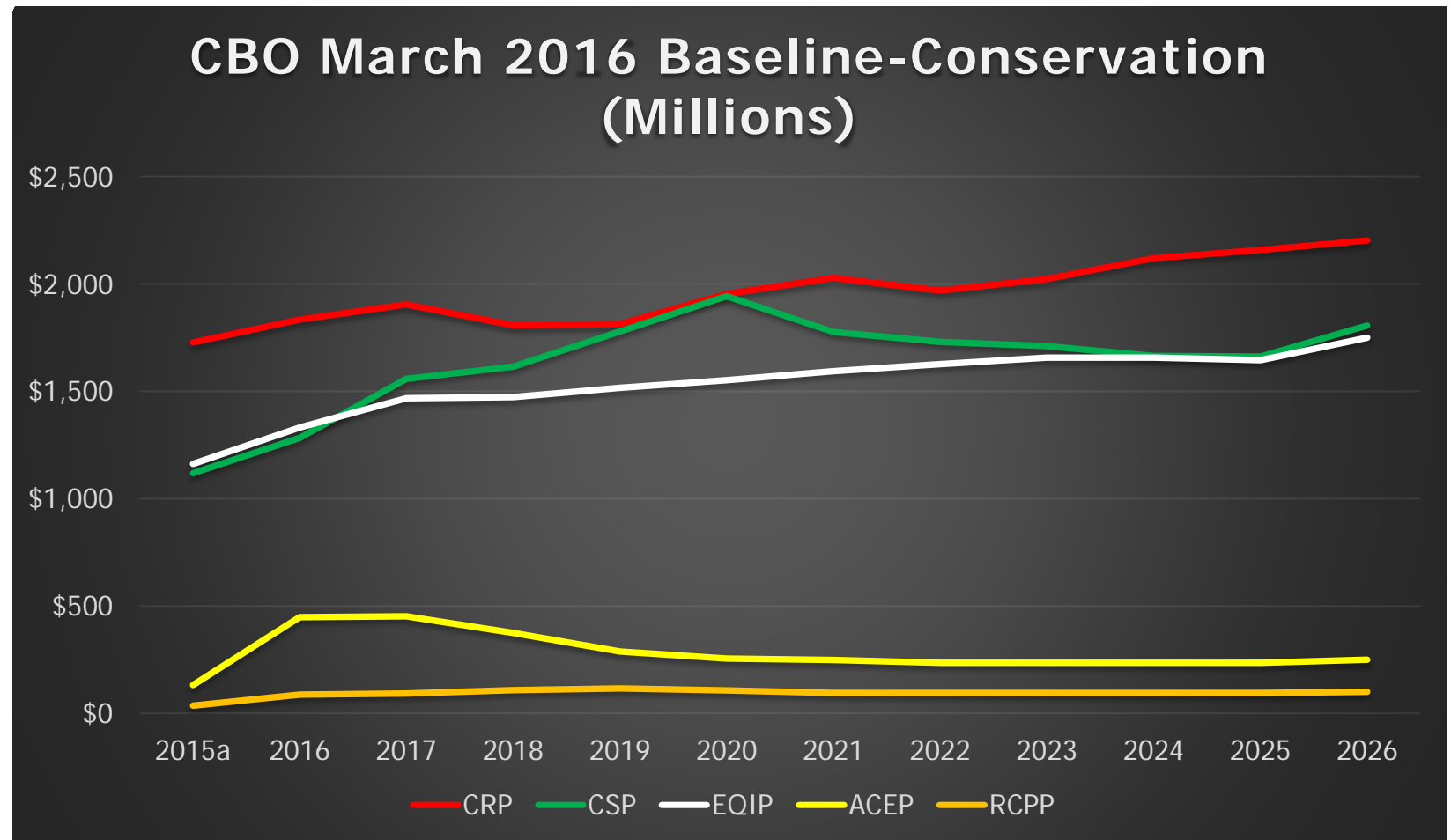


Note: Farmer benefit calculated as total indemnities minus farmer paid premium (RMA).



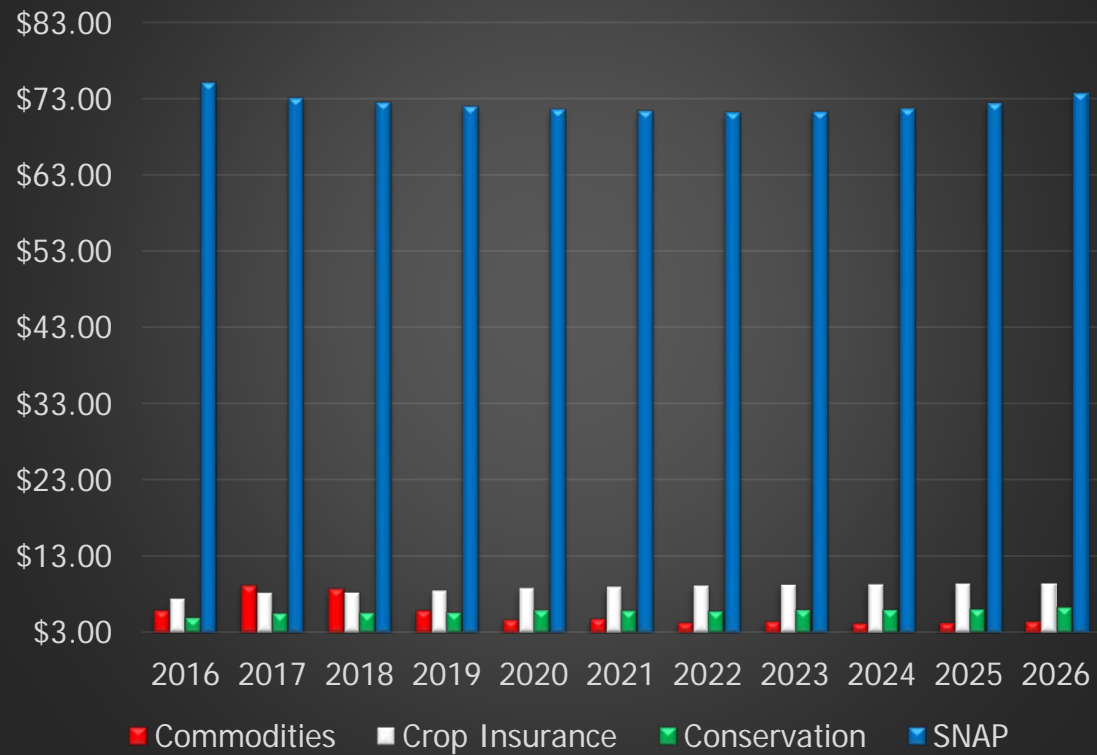
MANAGING FARM RISKS: CONSERVATION

- What programs or policies (working lands vs. retirement) are most effective for farming's challenges?
- What will be most effective for related issues such as consumer demands and push for sustainability?

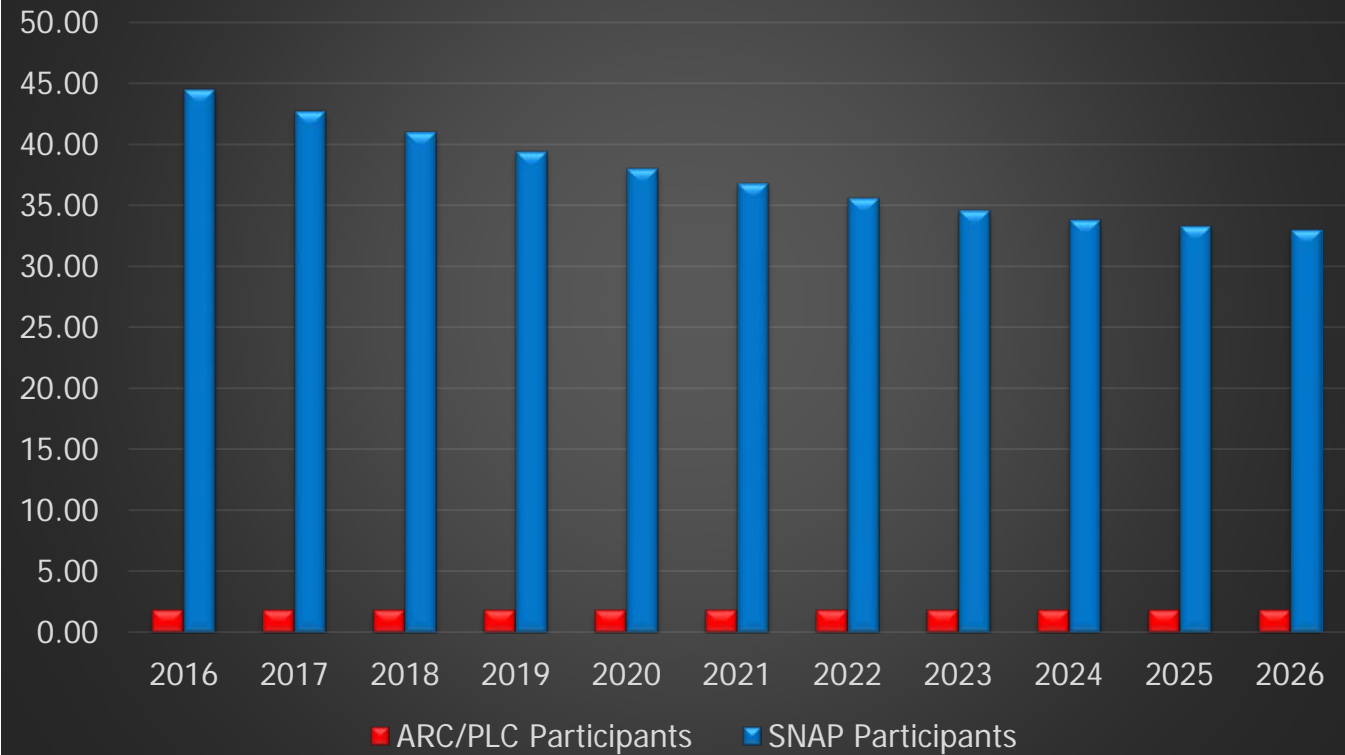


MANAGING POLITICAL RISKS: COALITION

CBO March 2016 Baseline
(Billions)



CBO March 2016 Baseline
(Billions)



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THANK YOU!

Jonathan Coppess

University of Illinois

jwcoppes@illinois.edu

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