

US Agricultural Policy and 2018

Michigan State University

Agricultural Credit Workshop

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Carl Zulauf

**Emeritus Professor,
Ohio State University**

Big Picture — Farm Bill History

- ▶ **Ideas can be so powerful they drive policy, but the usual case is unglamorous slow progression of marginal policy adjustments.**
- ▶ **Since Congress can amend, even replace, existing law; it is useful to view U.S. policy in part as experiments undertaken to fit circumstances of the time.**
- ▶ **The farm bill's 85 year life and bipartisan support is due to:
(1) every American being touched by at least 1 of its 3 constant threads: farmers, food, and land; and
(2) a willingness to adapt it to criticism and change in US society and farming.**

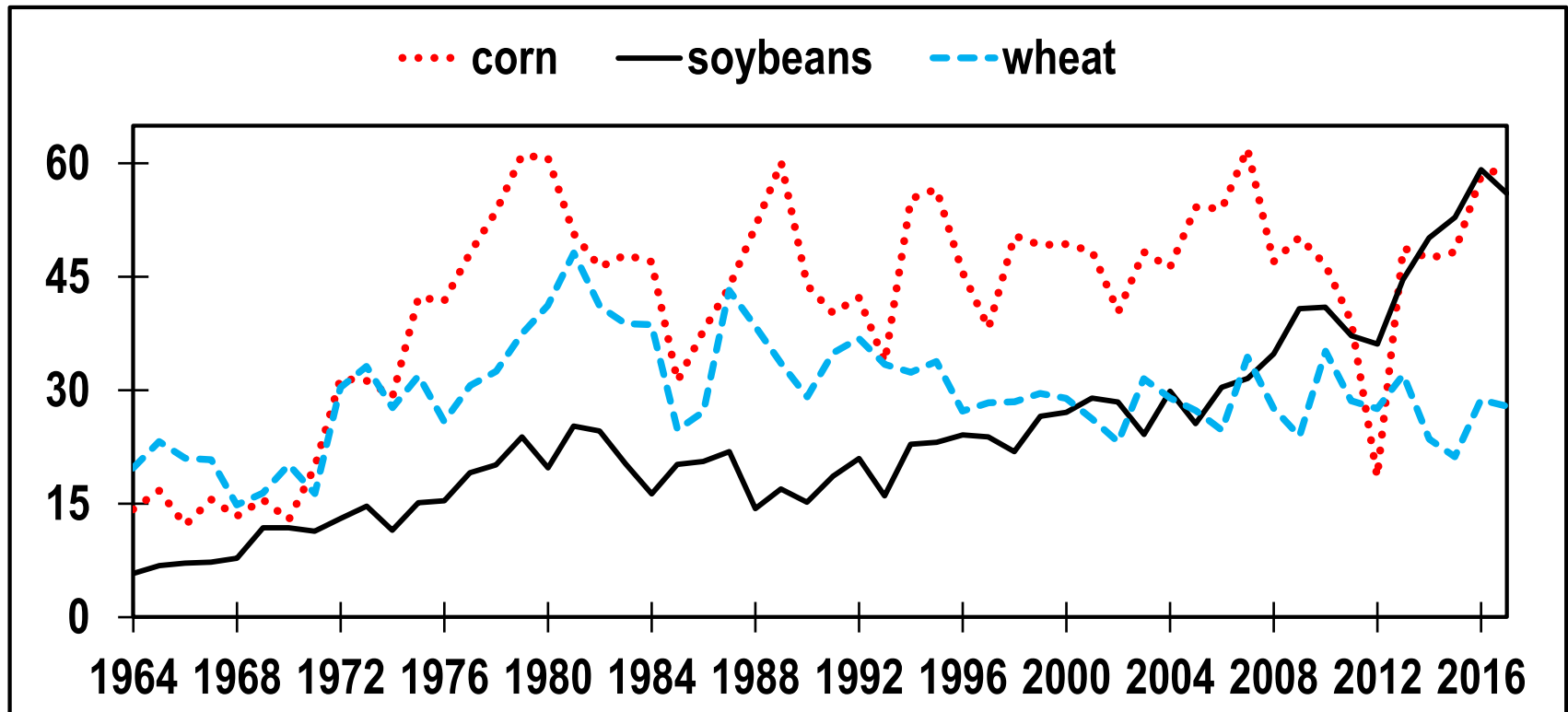
Tariff Conflict Farm Assistance (\$12 billion potential package)

- ▶ **Market Facilitation Program:** initial cash payment on 50% of proven 2018 production for soybeans, \$1.65/bu.; sorghum, \$0.86/bu.; wheat, \$0.14/bu.; corn, \$0.01/bu.; fresh sweet cherries, \$0.16/lb.; cotton, \$0.06/lb.; shelled almonds, \$0.03/lb.; hogs, \$8/head on August 1; and milk, \$0.12/cwt. on 2011-13 production.

2nd payment possible (NOT A GIVEN) in December. Relative to February and May 2018 WASDE forecasts for 2017 and 2018, change in value of production is: pork, -7%; soybeans, -3%; corn, -1%; sorghum, +2%; milk, +3%, wheat, +4%; and cotton, +5%. I expect “other oilseeds” to be given consideration.

- ▶ Announced spending of \$1.41 billion to buy beef, fruits, legumes, milk, nuts, pork, and rice for food banks and nutrition programs. Pork is largest at nearly 40% of announced purchases.
- ▶ \$200 million added funds for existing trade promotion programs

U.S. Exports (million metric tons (MMT))



► October 2018 WASDE projections for 2018 crop year: corn, 63 MMT; soybeans, 56 MMT; and wheat, 28 MMT.

Big Picture — 2018 Farm Bill Conference Deliberations

House Farm Bill Themes	Senate Farm Bill Themes
<ul style="list-style-type: none"> ● Favors Price over Revenue Support ● Large Farm Orientation ● Farm Production Risk Assistance ● Consolidates Working Land Conservation Programs ● Increases Work Eligibility Requirement for SNAP ● Regulatory Relief ● Beginning Farmers and Ranchers 	<ul style="list-style-type: none"> ● Favors Revenue over Price Support ● Limits Payment / Increases Program Cost to Large Farms ● Farm Production Risk Assistance ● Urban Agriculture ● Conservation Easements ● Soil Health ● Water Quality ● Hemp ● Private-Public Partnerships ● Beginning Farmers and Ranchers

► **Big Looming Question: “Will commodity programs be adjusted due to tariff conflict?”**

Farm Safety Net Payments, billion \$, 2014 - 2016 crops

	ARC	PLC	net farm insurance indemnities	Total
Corn	\$10.62	\$0.26	\$2.24	\$13.12
Peanuts	\$0.00	\$1.37	\$0.17	\$1.54
Rice	\$0.02	\$1.74	\$0.34	\$2.10
Soybeans	\$1.62	\$0.00	\$0.41	\$2.03
Wheat	\$1.65	\$1.77	\$1.94	\$5.36
All Program Crops	\$14.14	\$5.94	\$8.12	\$28.20

NOTE: ARC is Agriculture Risk Coverage. PLC is Price Loss Coverage. Program crops are barley, canola, large chickpeas, small chickpeas, corn, crambe, flaxseed, lentils, mustard, oats, peanuts, dry peas, rapeseed, Japonica rice, long grain rice, medium/short grain rice, safflower, sesame, grain sorghum, soybeans, sunflowers, and wheat.

NOTE: Announced payments for 2017 crop year so far are ARC, \$1.0 billion; and PLC, \$1.4 billion. Payments not announced yet for 12 crops, including all 3 rice varieties.

FSA Projected 2018 Market Year Price (MYA) vs. Reference Price (RP)

Commodity	RP	2018 MYA Price	RATIO: MYA to RP	Commodity	RP	2018 MYA Price	RATIO: MYA to RP
Rice: long grain	\$0.14	\$0.11	77%	Dry Peas	\$0.11	\$0.11	100%
Rice: med/short grain	\$0.14	\$0.11	79%	Lentils	\$0.20	\$0.20	100%
Peanuts	\$0.27	\$0.21	79%	Rice: temperate japonica	\$0.16	\$0.16	101%
Canola	\$0.20	\$0.17	82%	Soybeans	\$8.40	\$8.60	102%
Flaxseed	\$11.28	\$9.35	83%	Oats	\$2.40	\$2.70	113%
Grain Sorghum	\$3.95	\$3.30	84%	Rapeseed	\$0.20	\$0.23	116%
Sunflower Seed	\$0.20	\$0.17	84%	Large Chickpeas	\$0.22	\$0.28	130%
Safflower	\$0.20	\$0.18	91%	Crambe	\$0.20	\$0.28	139%
Wheat	\$5.50	\$5.10	93%	Mustard Seed	\$0.20	\$0.32	157%
Barley	\$4.95	\$4.65	94%	Sesame Seed	\$0.20	\$0.35	174%
Small Chickpeas	\$0.19	\$0.18	95%				
Corn	\$3.70	\$3.50	95%				
Seed Cotton	\$0.37	\$0.35	95%				

Tying Discussion Together

- ▶ Unclear, but I lean to a 1 year extension of 2014 farm bill.
- ▶ US ag is under stress from trade policy, interest rates, climate variability, water quality concerns, and global competition.
- ▶ Potential large increase in commodity program spending looms.
- ▶ Several issues have largely been side-stepped so far in the farm bill debate. Pressure will build.
 - ▶ Funding healthy foods instead of calories.
 - ▶ Effectiveness of current farm conservation programs.
 - ▶ No one loves research enough to increase funds.
 - ▶ Cost and impact of crop insurance programs / premiums.

THANK YOU!

QUESTIONS?