

Ohio Grain Farmers Symposium: 2018 Farm Bill Outlook



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Big Picture Perspective

- ▶ Largely 5-year extension, excluding Conservation (Title II)
- ▶ Conservation: shifts funds to conservation easement and regional partnerships from working farm programs — also (1) increases CRP acres from 24 to 27 million; (2) changes calculations of CRP acre pay rate; (3) merges EQIP and CSP but maintains separate identity
- ▶ Dairy (Title I): higher covered margins (\$9.50 vs. \$8/cwt.) and covered production; lower premiums; renamed, Dairy Margin Coverage (DMC)
- ▶ Crop Commodity Policy (Title I): (1) with 2021 crop year can switch between ARC and PLC (new election in 2019) and (2) PLC yield update option with 2020 crop and adopted trend yields for ARC
- ▶ Miscellaneous title has largest \$ increase from baseline among all titles. Never remember this happening.
- ▶ Relative to baseline, Trade Title (Title III) has a nice increase.

Quick Impressions

- ▶ Congress is searching for what works on Conservation Policy
- ▶ Confirms policy process importance of farm bill breadth — allows many avenues to meet policy actors' needs, including those for which ag is not a major issue area
- ▶ Personally worried about financial state of US farming for next 5 or so years — trade policy long term impacts, higher interest rates, how many years of above average trend yields can US have?
- ▶ Farm safety net spending could explode — a number to keep in mind, every 10 cents that corn season average price is less than \$3.70 reference price is close to \$1 billion in PLC payments

THANK YOU!

QUESTIONS?

We Have a 2018 Farm Bill

Initial Impressions

2018 Ohio Grain Symposium

Ben Brown

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CFAES



THE OHIO STATE UNIVERSITY

COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

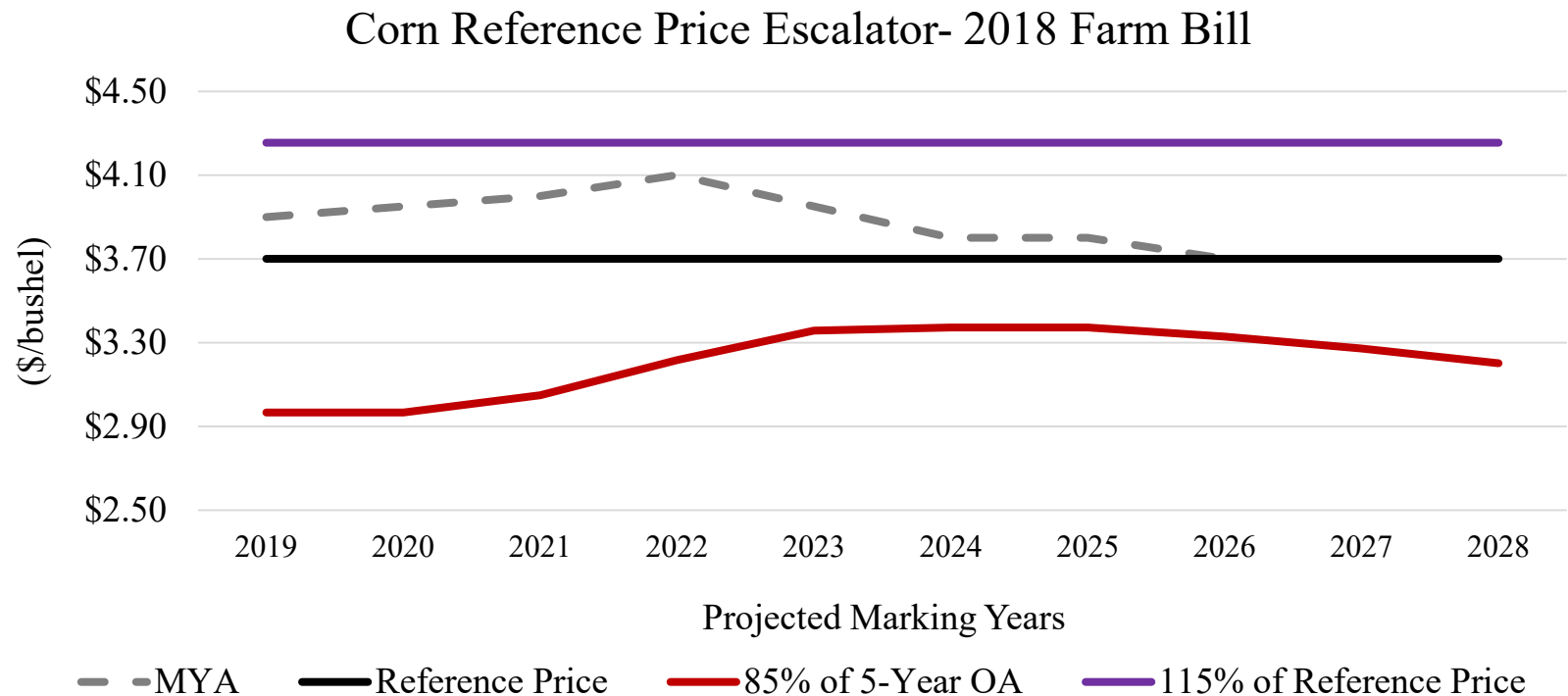
Initial Reactions- **Cash Flow**

- ✓ Congressional awareness to working capital and cash flow conditions for agricultural operations.
 - ✓ Dairy- Lower premiums for coverage levels for first 5 million pounds
 - Discount for Dairy Coverage for multi-year enrollment
 - 75% refund on MPP premiums if used for new DMC
 - 50% refund on MPP premiums if returned in cash
 - ✓ Grain Crops
 - Increased Marketing Assistance and Loan Deficiency Payment Rates
 - ✓ Limitations- Expands pmt. eligibility to cousins, nieces and nephews
 - ✓ Credit (Title V)- The limit on farm operating and ownership loans would increase to \$1,750,000 up from \$700,000
 - ✓ Reduced loan eligibility requirements for young and beginning farmers

LDP Rates	2014 Rate	2018 Rate
Wheat	\$2.94	\$3.38
Corn	\$1.95	\$2.20
Soybeans	\$5	\$6.20
Barley	\$1.95	\$2.50

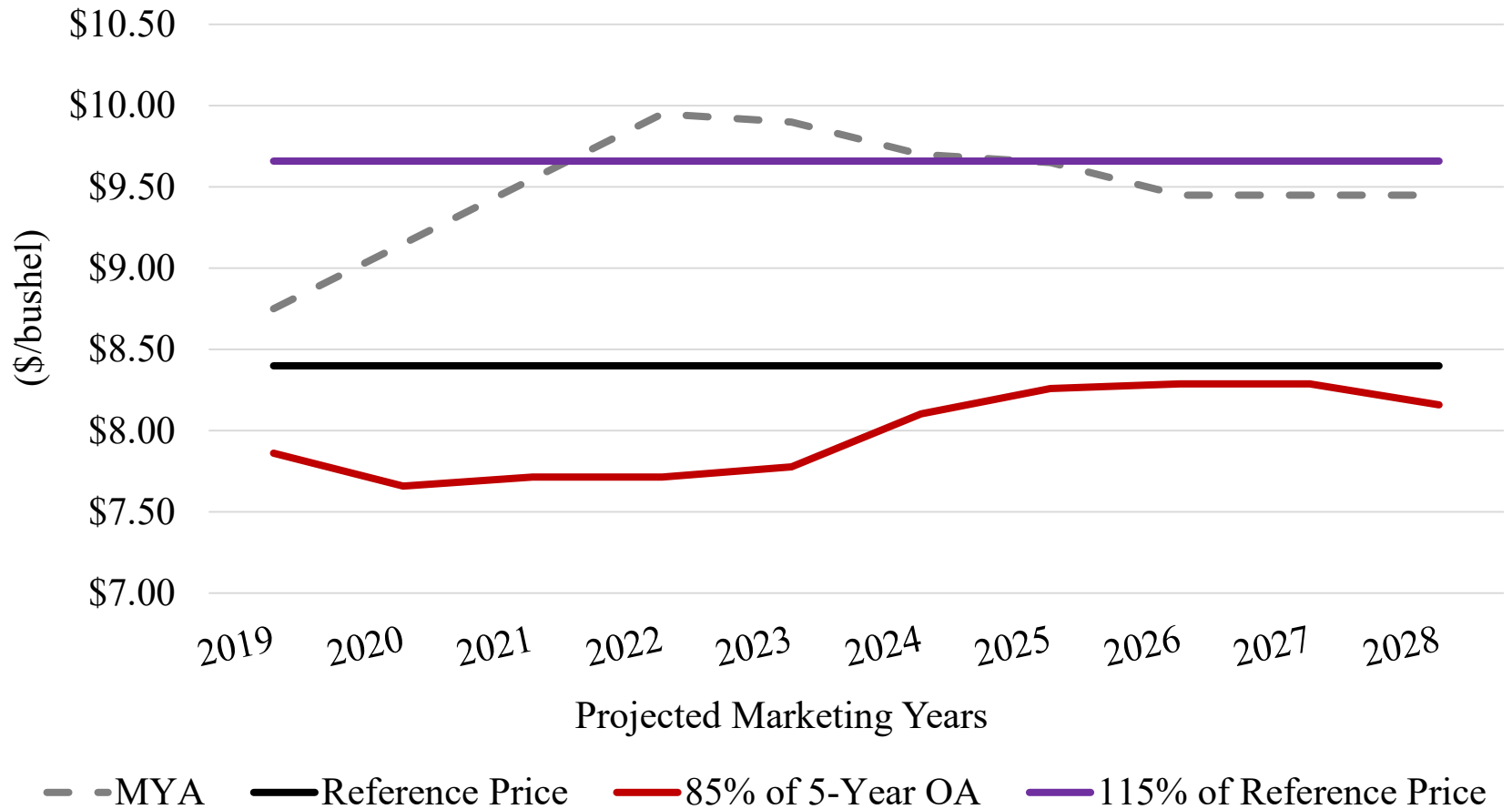
Initial Reactions- **ARC/PLC**

- ✓ First Year Enrollment will be for 2019 and 2020.
 - ✓ Reference Prices for PLC were left alone but do include an escalator provision. 85% of the 5- year Olympic Benchmark

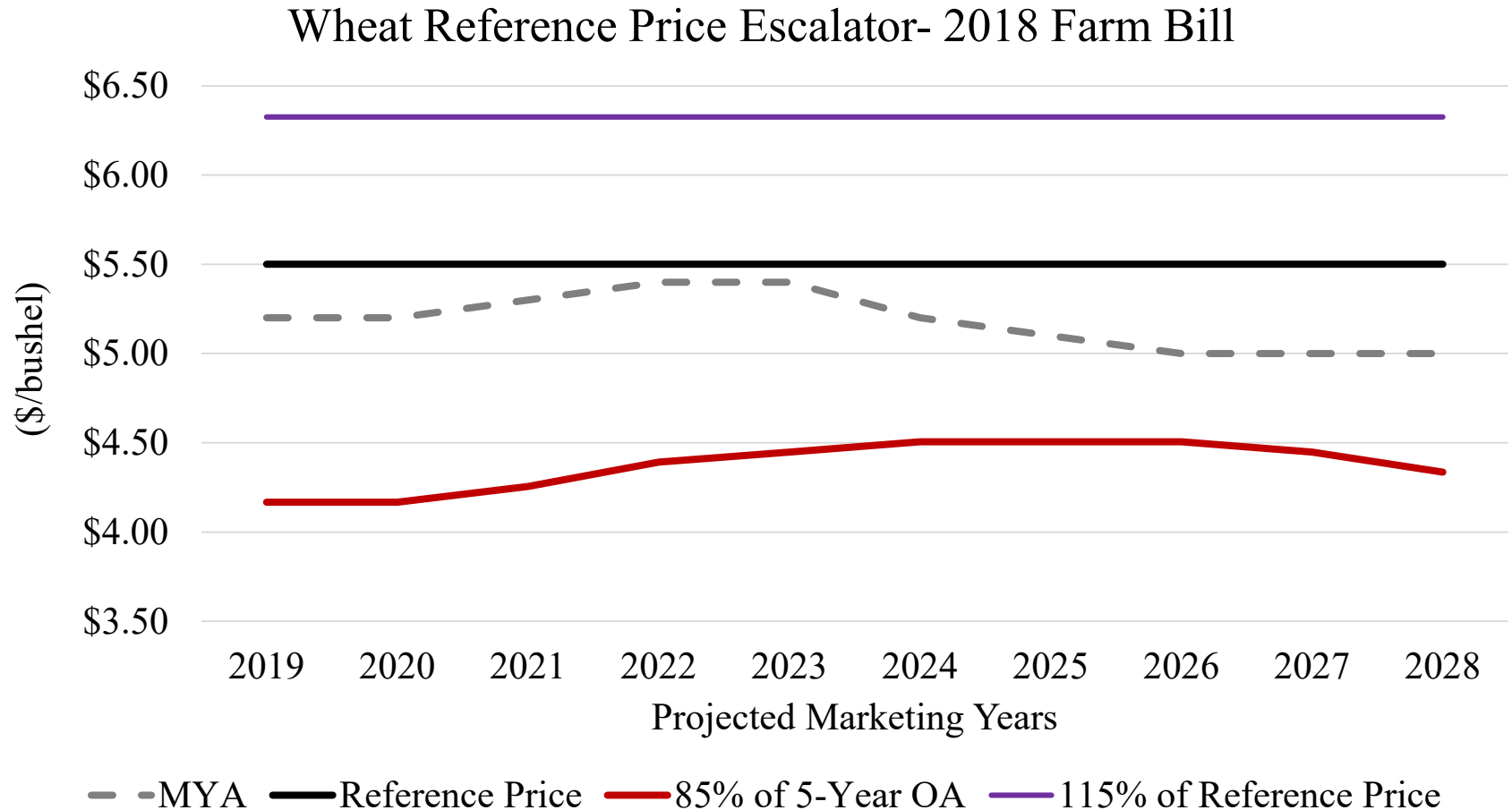


Initial Reactions- Reference Price Continued

Soybean Reference Price Escalator- 2018 Farm Bill



Initial Reactions- Reference Price Continued



Initial Reactions- Other ARC/ PLC Changes

✓ Price Loss Coverage

- ✓ Producers will have the option to update yields in 2020.
 - ✓ Based on a formula using historical yields from 2013-2017 and 2008-2012

(Some producers might see an increase in yields and therefore payments)

✓ Agricultural Risk Coverage

- ✓ ARC-CO payments will be calculated based on physical location of the farm not the administrative county.
- ✓ Risk Management Data will be the first source of yield information
(This will be higher for some counties and lower for others)
- ✓ Approved insurance providers will be required to submit producer yields 30 days after the final reporting date.
- ✓ The plug yield for “low” yields will be 80% instead of 70%.

Initial Reactions- Notes of Caution

- ✓ Acres planted to a non-Title I commodity in all years from 2009-2017 will be “suspended” from receiving ARC or PLC payments
 - ✓ These acres will be eligible for the CSP grasslands program at \$18/acre
 - ✓ Base acres allow producers to plant based on market conditions. Any removal of base acres and expansion of non- Title 1 commodities could weaken conservation set-aside
- ✓ Conservation Reserve Program- Tiered increase in acres but at a reduced payment rate.- Ohio would be limited to 321,157 acres
 - ✓ In my mind- expanded enrollment is not guaranteed at rates below the country rental average
- ✓ Energy (Title IX)- Extends funding for several bioenergy programs but reduces it compared to 2014 farm bill.
 - ✓ 2014 farm bill- 315 million over 5 years
 - ✓ 2018 farm bill- 109 million over 5 years

Initial Reactions- **Crop Insurance and Misc.**

- ✓ **Crop Insurance (Title XI)- was largely left the same.**
 - ✓ Enterprise units are now allowed across county lines.
 - ✓ Planting cover crops won't affect the ability to insure the following crop as long as proper guidelines are followed for termination
 - ✓ Whole Farm Revenue Protection discounts for beginning farmers and ranchers are extended to 10 instead of 5 years
 - ✓ Authorizes Research to study the “effectiveness of low frequency catastrophic weather disaster policies” and subsurface irrigation practices
- ✓ **Miscellaneous (Title XII)**
 - ✓ National Animal Disease Preparedness and Response Program funded at \$300 million over 10 years
 - ✓ Includes the National Animal Health Vaccine bank “to protect the United States agriculture and food system against terrorist attack, major disaster, and other emergencies at \$150 million
 - ✓ New Program for Farming Opportunities Training and Outreach Programs funded at \$435 million over 10 years