

# 2018 FARM BILL PROVISIONS

## Overview of Farm Bill Proposals



The Unified National Voice of Agriculture

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[www.fb.org/advocacy/farmbill](http://www.fb.org/advocacy/farmbill)

Congress has introduced the long-awaited Farm Bill (H.R. 2) and it addresses many long-standing issues important to farmers and ranchers:

- The bill would improve dairy and Agriculture Risk Coverage programs.
- Much-needed help for cotton farmers is included in the commodity title.
- The bill proposes improvements to federal crop insurance.
- Additional proposals include improving conservation programs, the specialty crop program and research and development programs.

This legislation recognizes the hardships farmers are facing due to the current farm economy crisis. Farmers and ranchers have faced rising costs and lower commodity prices for several years running. As a result, farm income is less than half what it was five years ago.

*AFBF President Zippy Duvall said, "H.R. 2—the Agriculture and Nutrition Act of 2018—takes us one step closer to bringing certainty to families who face the toughest farm economy in more than a decade."*

The Farm Bill faces challenges including potentially being broken apart and delays that would prevent it from passing before the existing Farm Bill expires this fall.

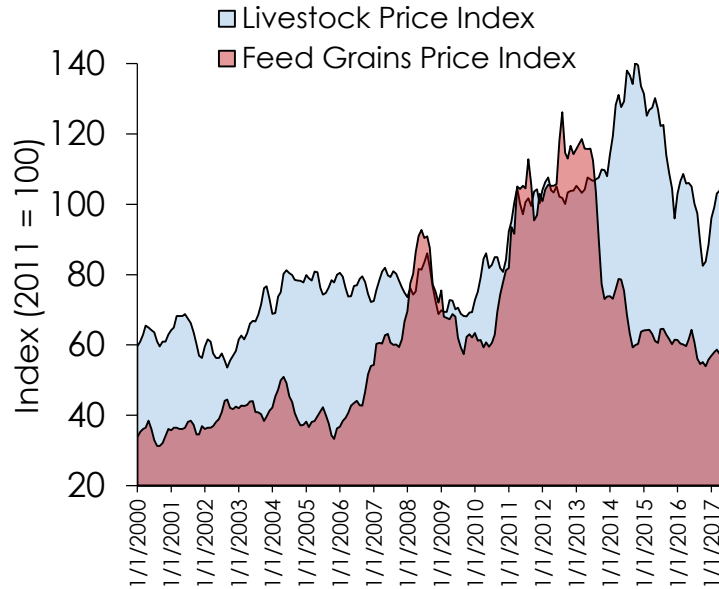
Farm Bureau will work with members of both the House and Senate to complete work on a bipartisan, bicameral bill that can be signed into law to sustain our nation's food security.

**YOUR message to Congress will help keep the Farm Bill moving forward and prevent any delays!**

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# CONDITIONS IN THE FARM ECONOMY



## Lower Commodity Prices

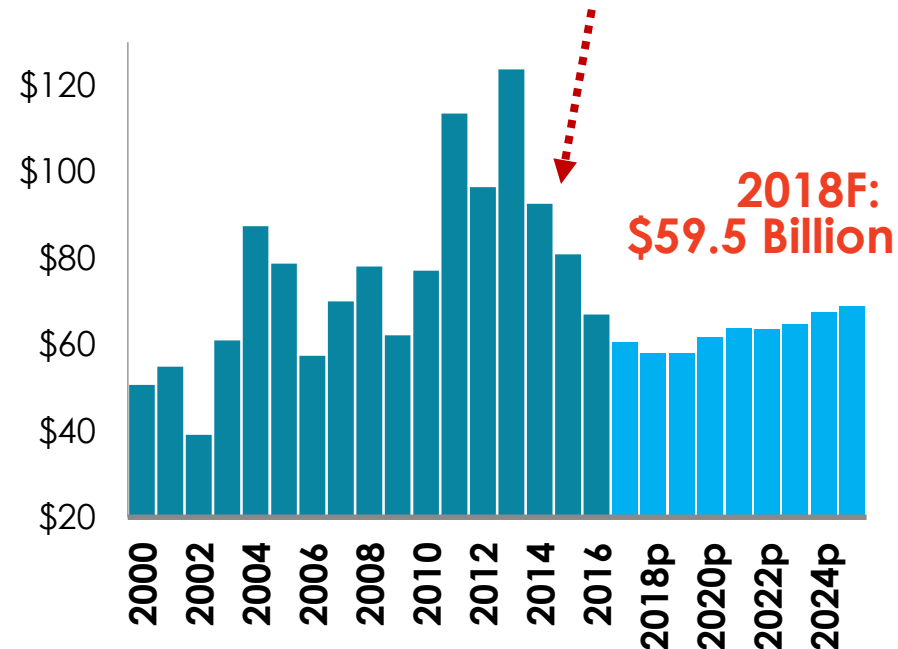


The decline in farm revenues and modest declines in cash expenses pressured farm income lower. **Expected to stabilize at lower levels.**

Since 2013, **Net Farm Income** has declined by **52%**

**\$64,000,000,000**

Passed 2014 Farm Bill

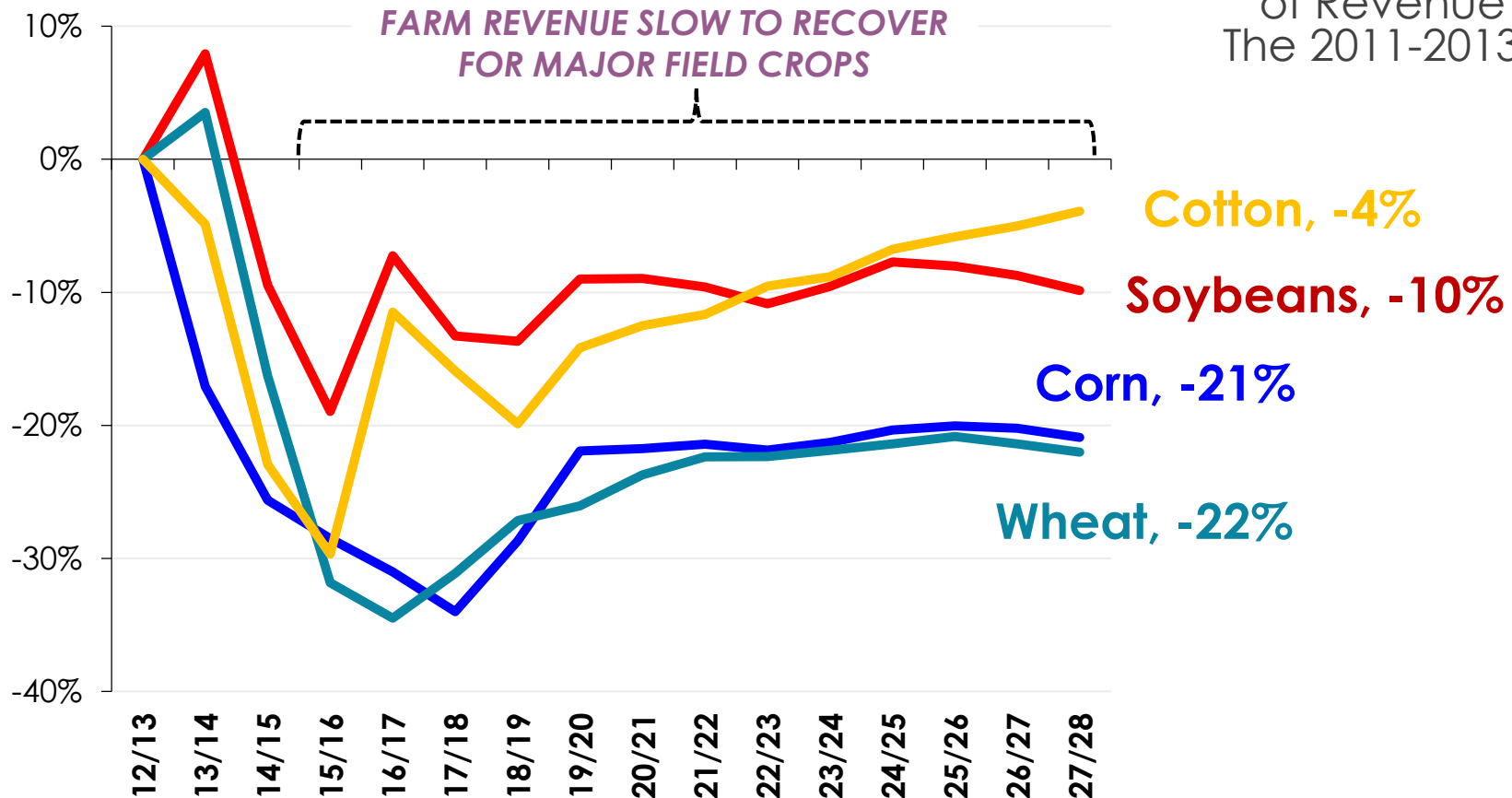






# THE “GOLDEN AGE” IN FARM ECONOMY IS OVER

Cumulative Percentage Change  
in Revenue Since 2011/13



**USDA Projects  
A Decade Plus**

of Revenue Below  
The 2011-2013 Highs



# THE CONGRESSIONAL TOOLBOX

## Two Sides of the Balance Sheet:

### CROP INSURANCE, FARM PROGRAM PAYMENTS, CONSERVATION ASSISTANCE

These programs help when crop prices or revenue fall below threshold levels. Conservation programs provide financial benefits, including cost-sharing, for conservation initiatives. Protection for emergencies and prolonged declines in income



### CUTTING **RED TAPE** & REDUCED REGULATORY BURDEN

Congress finding ways to reduce the costs of farming.



### MARKET ACCESS & DEVELOPMENT

Develop new markets and protect existing markets



# PRIMARY ISSUES IN FARM BILL



## FARM BILL

- 1 Congressional Budget Office Baseline**  
Zero Sum Game, New Spending Requires Offsets
- 2 Protect Crop Insurance**  
Proposals Would Harm Farmers and Weaken Safety Net
- 3 Fix Cotton and Dairy Safety Net**  
Get Cotton Back in Farm Bill, Fix Dairy Safety Net
- 4 Refresh Commodity Support Programs**  
Are target prices and revenues at appropriate levels?
- 5 Conservation Programs**  
Lifting the CRP Cap Above 24 Million Acres, Merging CSP and EQIP, Rental Rates
- 6 Livestock Vaccine Bank**  
Foot and Mouth Disease Preparedness a Priority for Livestock Sector
- 7 Supplemental Nutrition**  
Reform to Entitlement Programs is a Goal of Speaker Ryan, Potentially a Partisan Issue



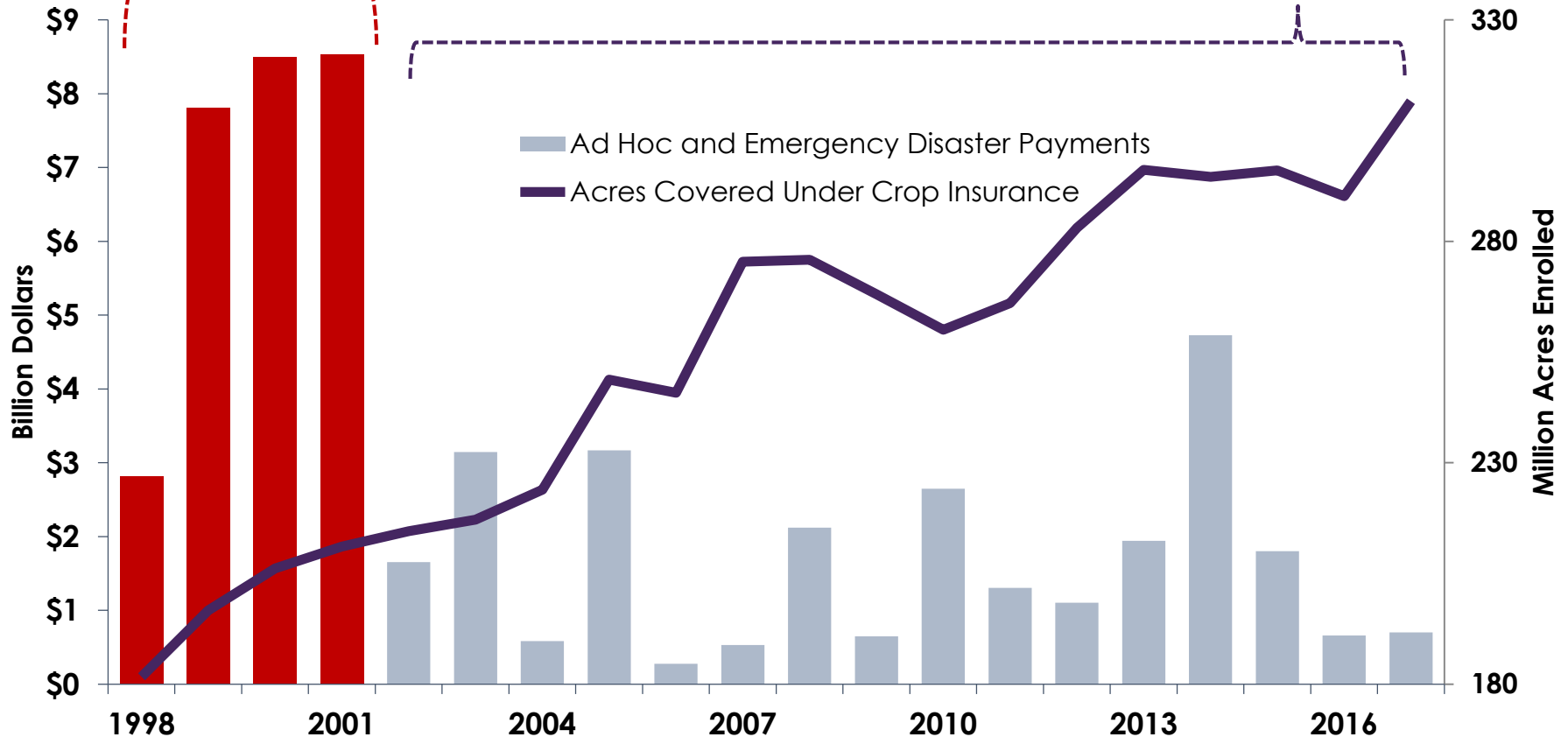
# #CROPINSURANCEWORKS

**\$30 Billion**

Ad-hoc Payment Dropped Significantly as Crop Insurance Expanded

**+100,000,000**

**Additional Acres Enrolled**

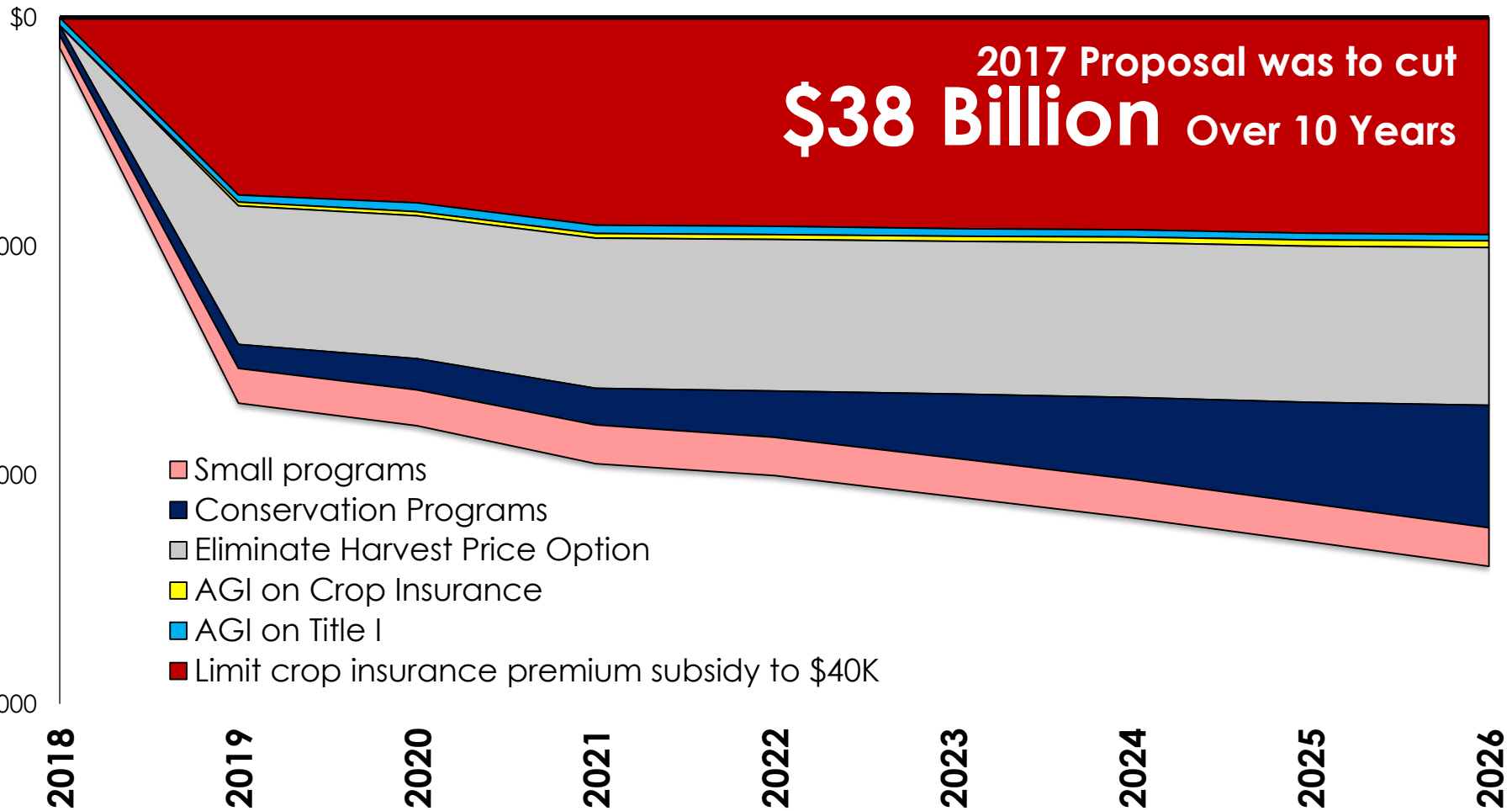






# #PROTECTCROPINSURANCE

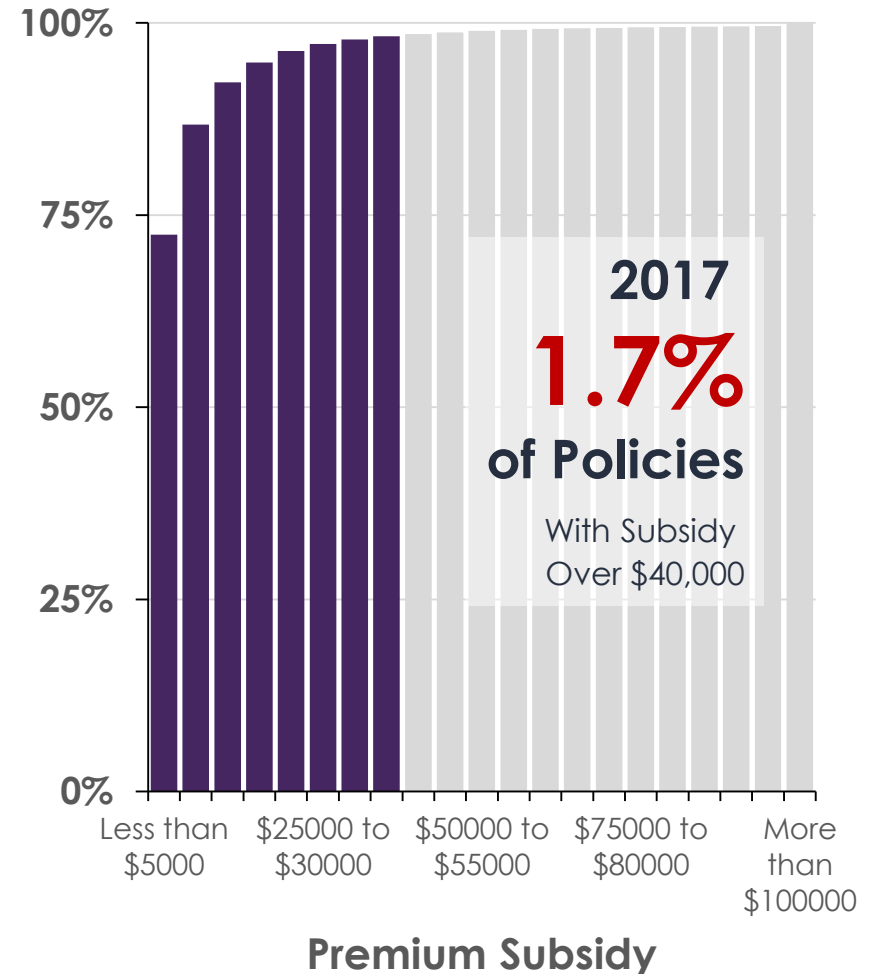
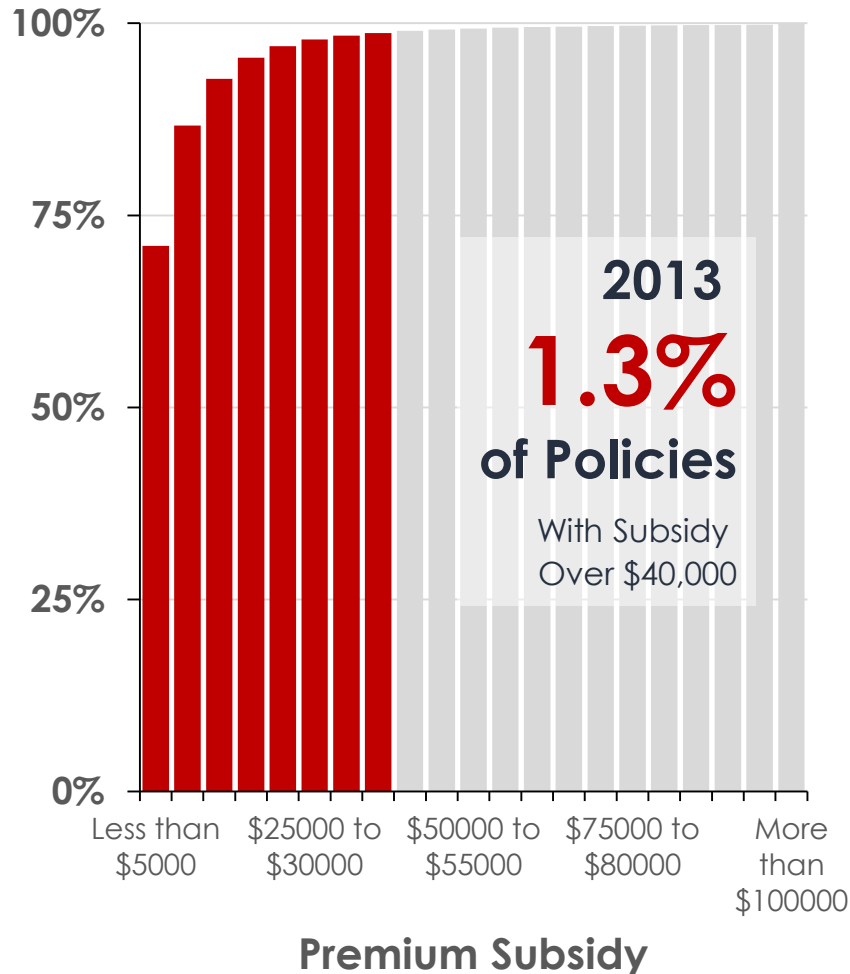
Million USD





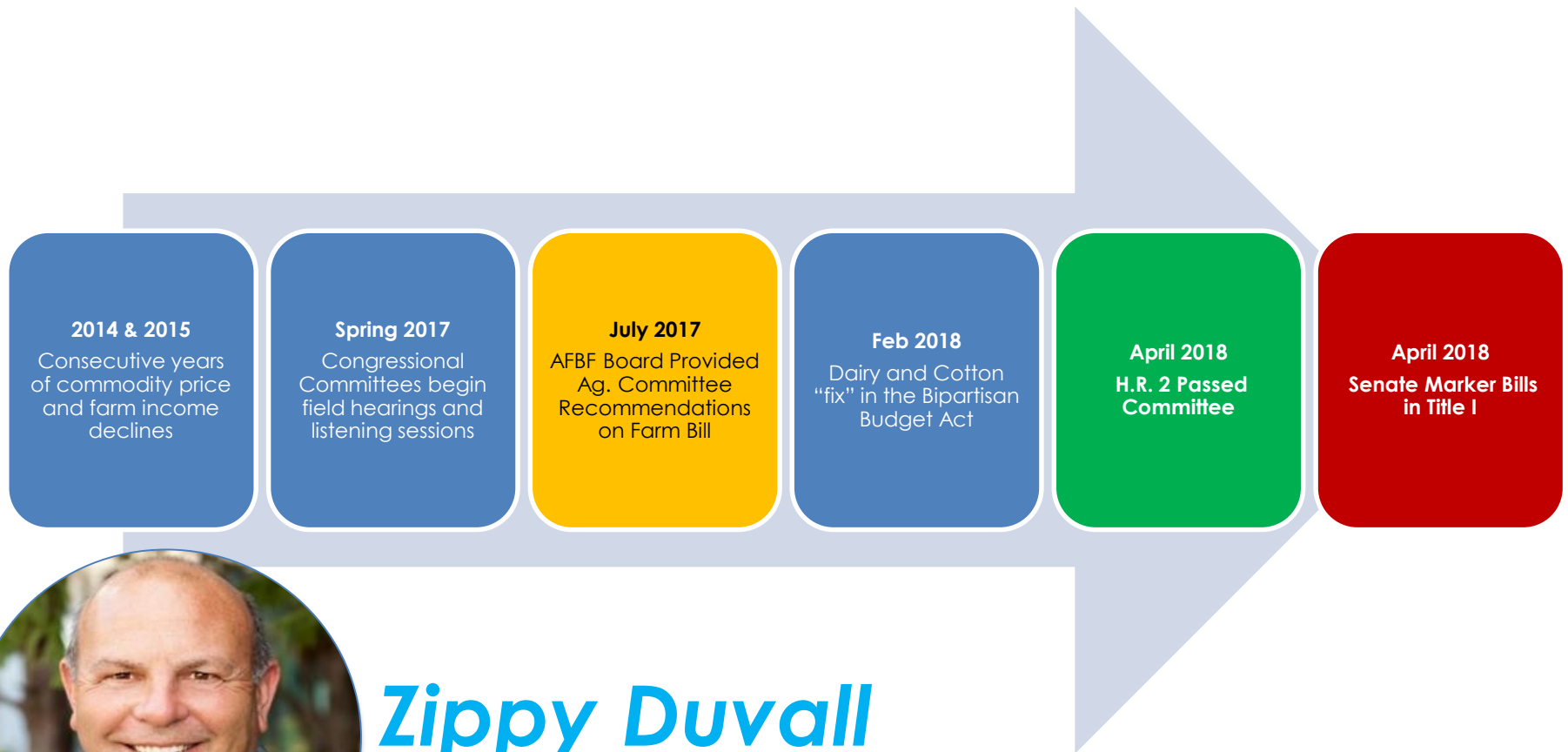
# CAP ON PREMIUM SUBSIDIES

## Cumulative %, Policies Earning Premium





# FARM BILL TIMELINE



***Zippy Duvall***

Farm Bureau President Appoints  
Farm Bill Working Group



# FARM BILL PROJECTED OUTLAYS 2018-2028

**\$867 Billion**

*Million Dollars*

**Nutrition , \$663,828**

**Crop  
Insurance ,  
\$78,037**

**Commodity  
Programs ,  
\$61,151**

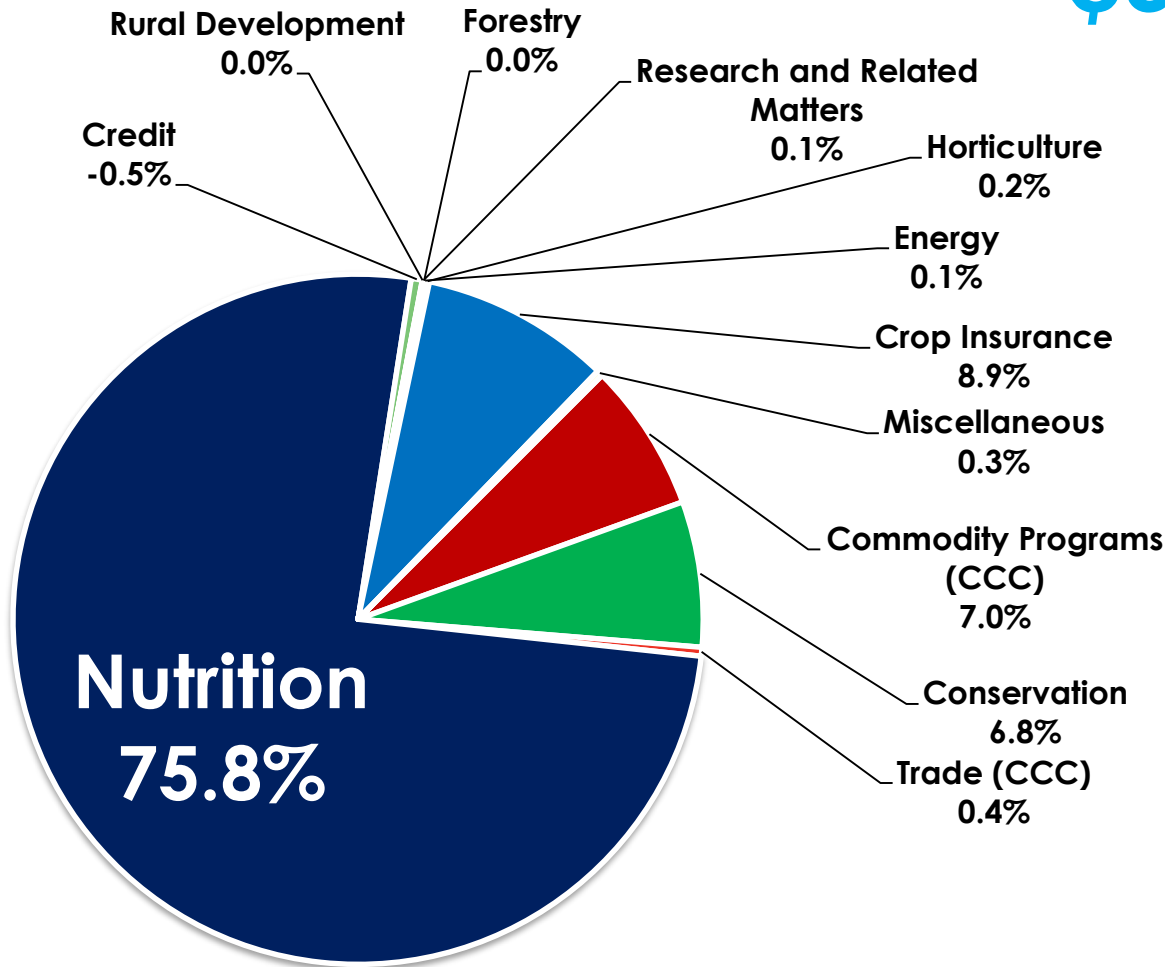
**Conservation  
Programs ,  
\$59,754**

■ Commodity Programs ■ Conservation Programs ■ Nutrition ■ Crop Insurance ■ Other Titles



# FARM BILL PROJECTED OUTLAYS 2018-2028

**\$867 Billion**







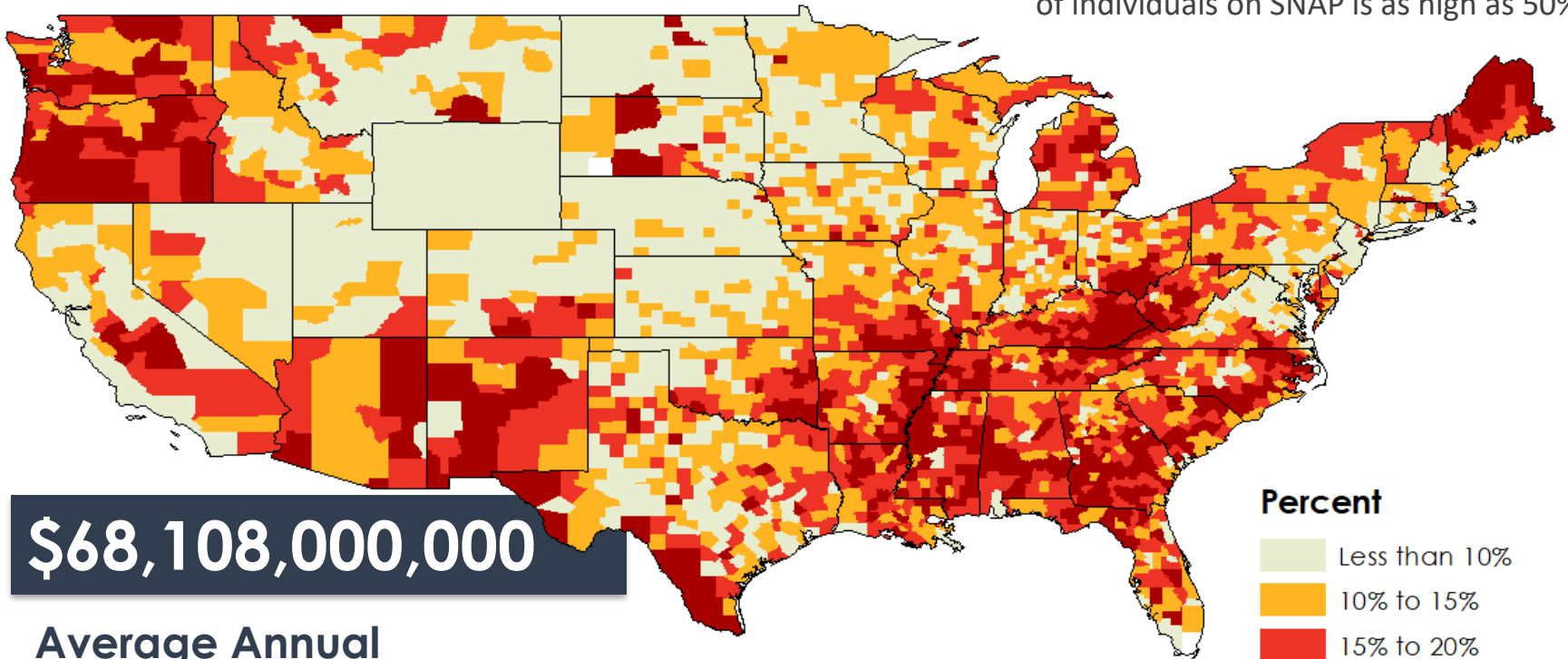
# IMPORTANCE OF NUTRITION PROGRAMS

## SNAP Use is Much Higher in Rural America

13% of U.S. Population on SNAP

### INDIVIDUALS ON SNAP, %

In counties of rural America the percentage of individuals on SNAP is as high as 50%



**\$68,108,000,000**

Average Annual  
Expenditures on SNAP in 2017

**-15%** from 2013's High of \$80B

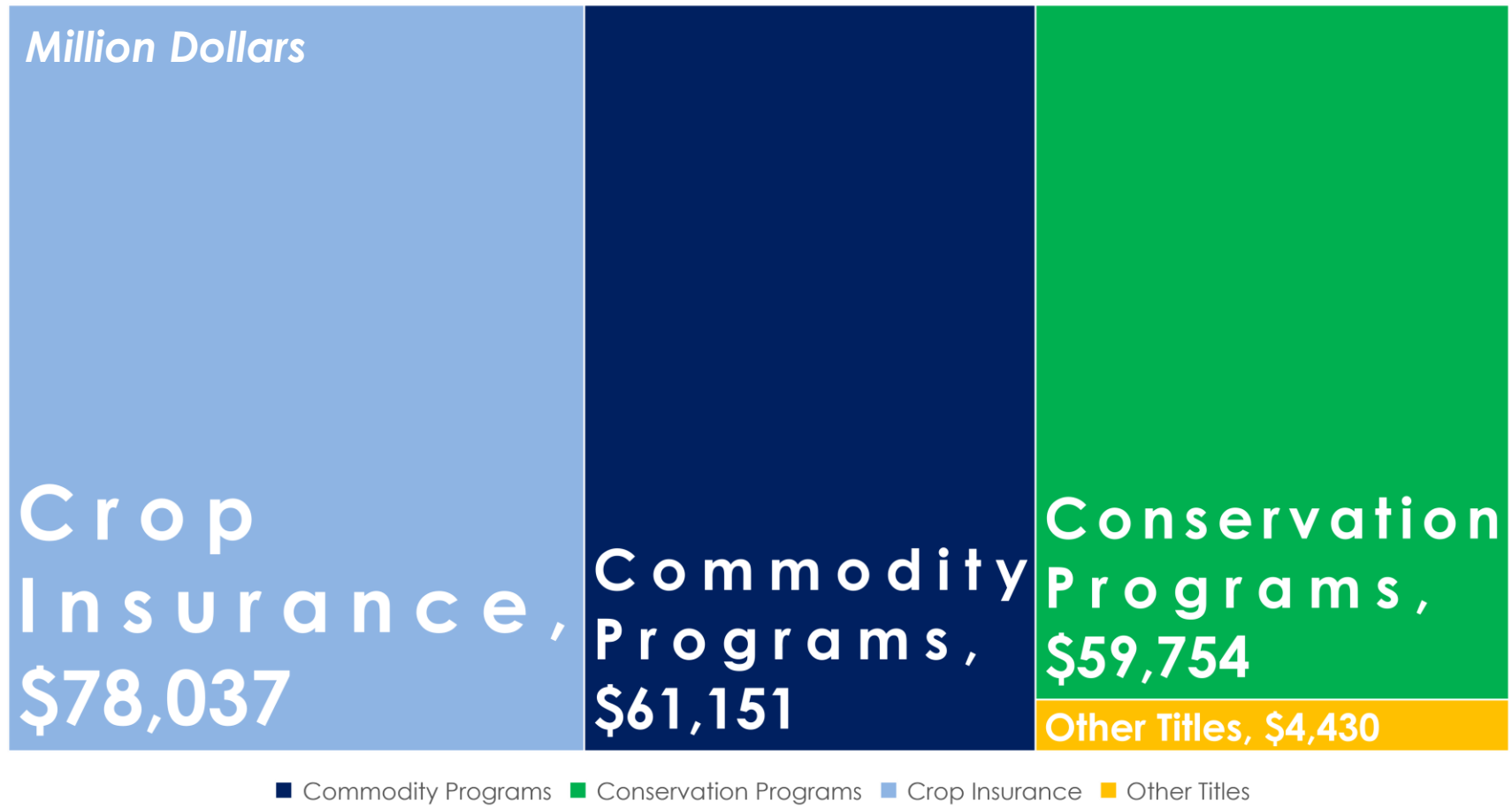
#### Percent

- Less than 10%
- 10% to 15%
- 15% to 20%
- Greater than 20%



# FARM BILL EXCLUDING NUTRITION 2018-2028

**\$203 Billion**



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H.R. 2



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# HOUSE FARM BILL **IS** BUDGET NEUTRAL

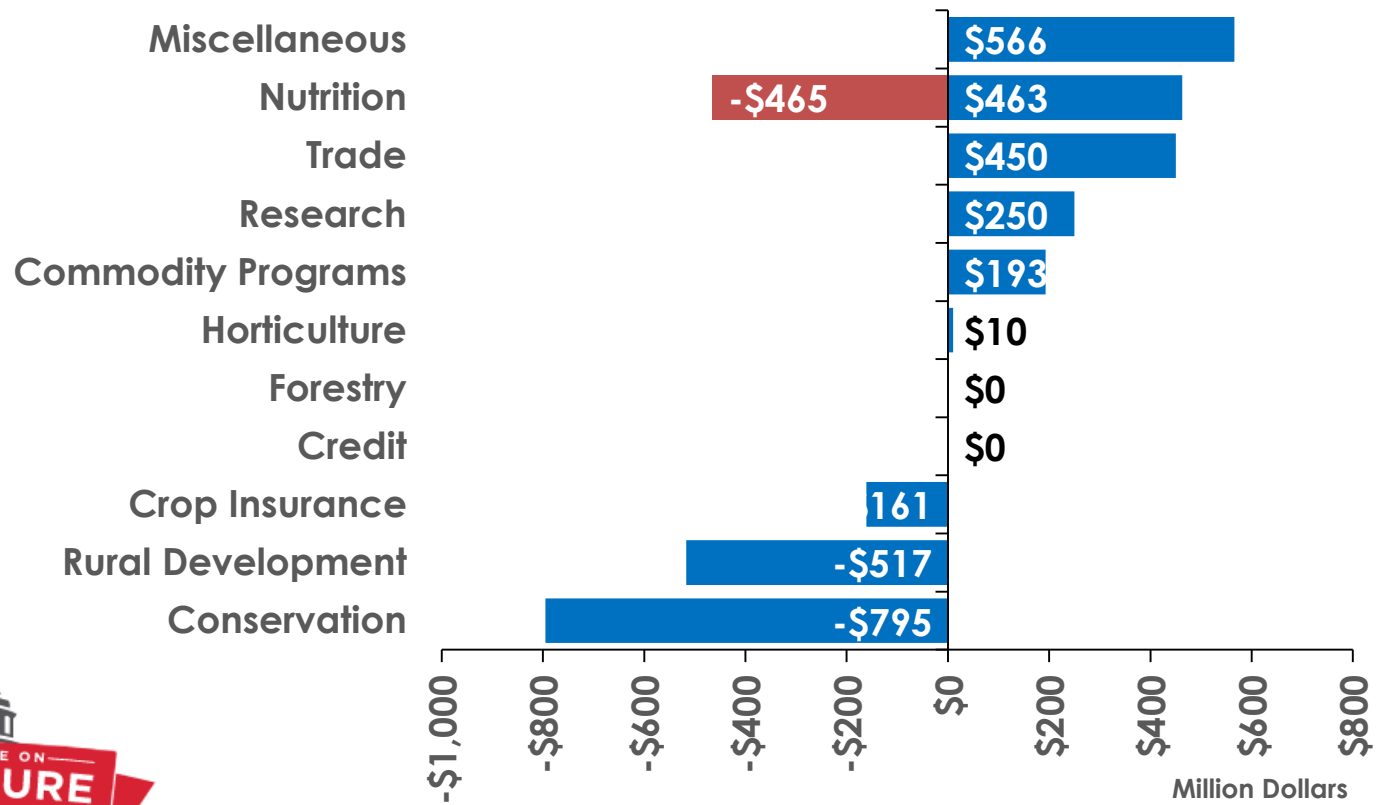
**-7 Million**  
Decrease in the  
Deficit

**=**

**-\$465 Million**  
Increase in Revenues  
Relative to Baseline

**+**

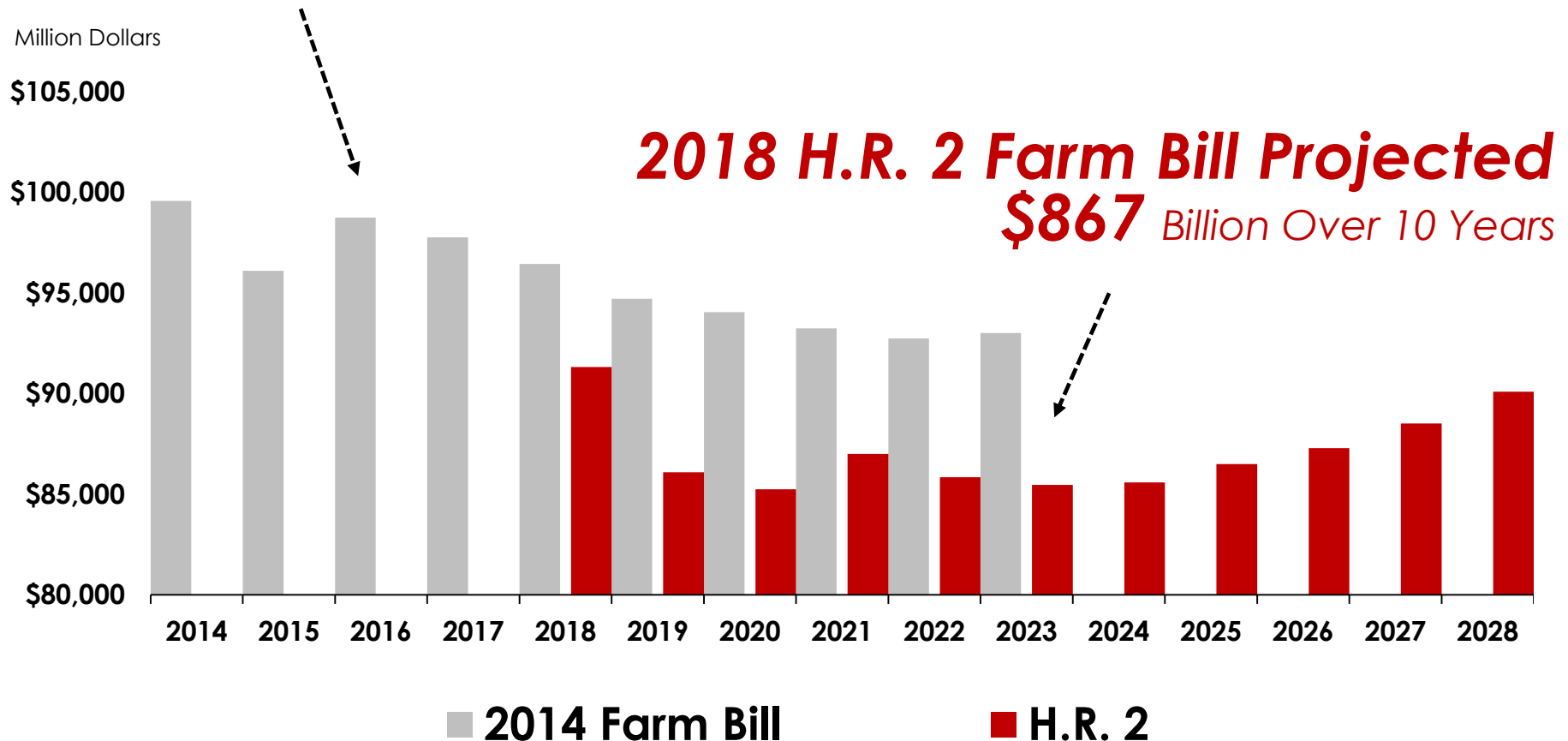
**\$458 Million**  
Increase in Direct  
Spending





# H.R. 2 WILL SPEND **\$89 BILLION** LESS THAN 2014 FARM BILL OVER 10 YEARS

**2014 Farm Bill Projected**  
**\$956** Billion Over 10 Years

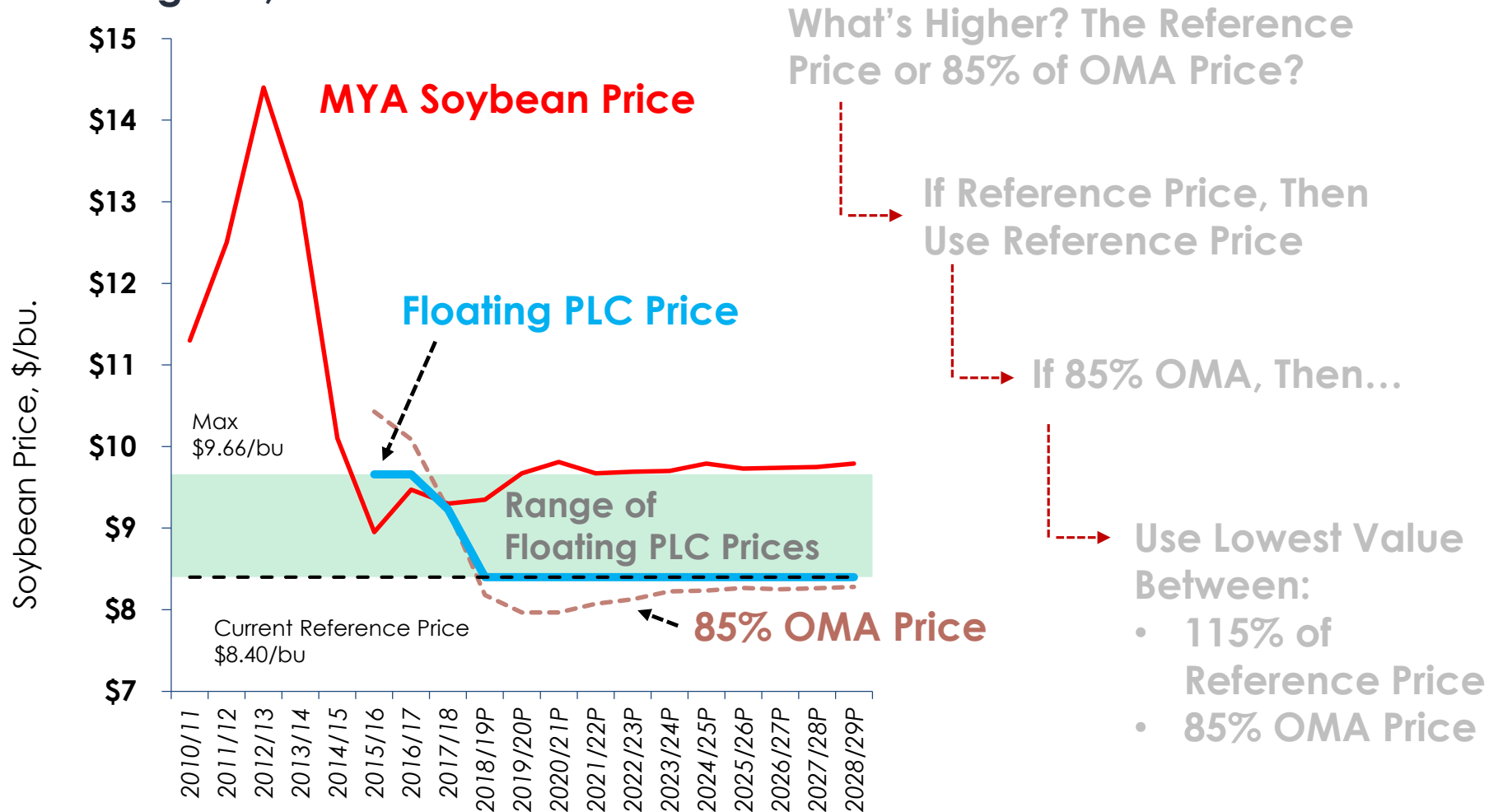






# "FLOATING" PRICE LOSS COVERAGE

## Floating PLC, How It Works?



$$\text{Floating PLC Reference Price} = \text{Minimum}[115\% \times P_{\text{ref}}, \text{Maximum}(85\% \times P_{\text{OMA}}, P_{\text{ref}})]$$



# “FLOATING” PRICE LOSS COVERAGE

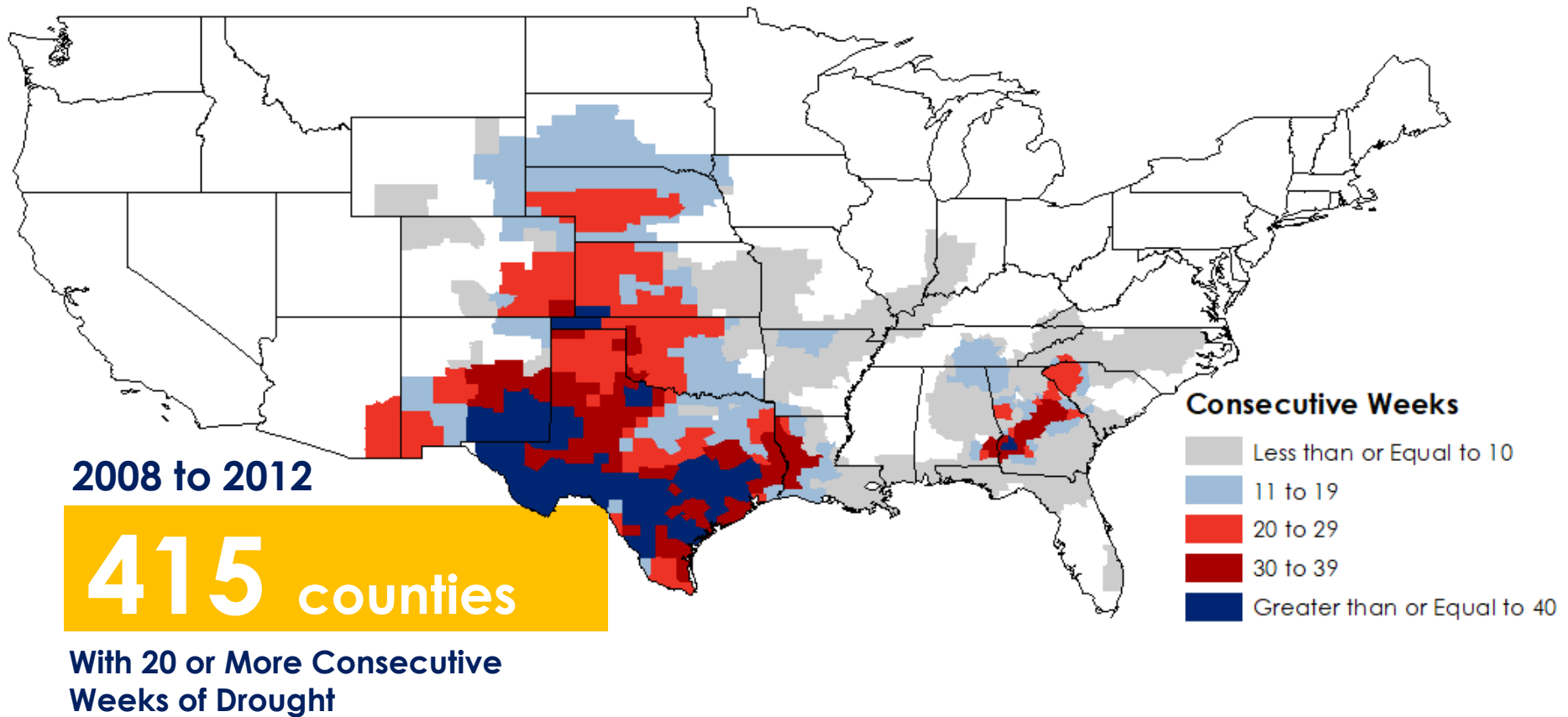
Covered Commodity	Current Reference Price	2017/18 Projected Price	Maximum Floating PLC Reference Price
Corn (\$/bu)	\$3.70	\$3.35	\$4.26
Soybeans (\$/bu)	\$8.40	\$9.30	\$9.66
Wheat (\$/bu)	\$5.50	\$4.65	\$6.32
Seed Cotton (\$/Lb.)	\$0.367	\$0.332	\$0.42
Rice (LG) (\$/cwt)	\$0.14	\$0.117	\$0.16
Peanuts (\$/Lb.)	\$0.268	\$0.230	\$0.31
Sorghum (\$/bu)	\$3.95	\$3.15	\$4.54

***Crops that could see a reference price increase in 2019 include Crambe, Chickpeas, Lentils, Rapeseed and Sesame***



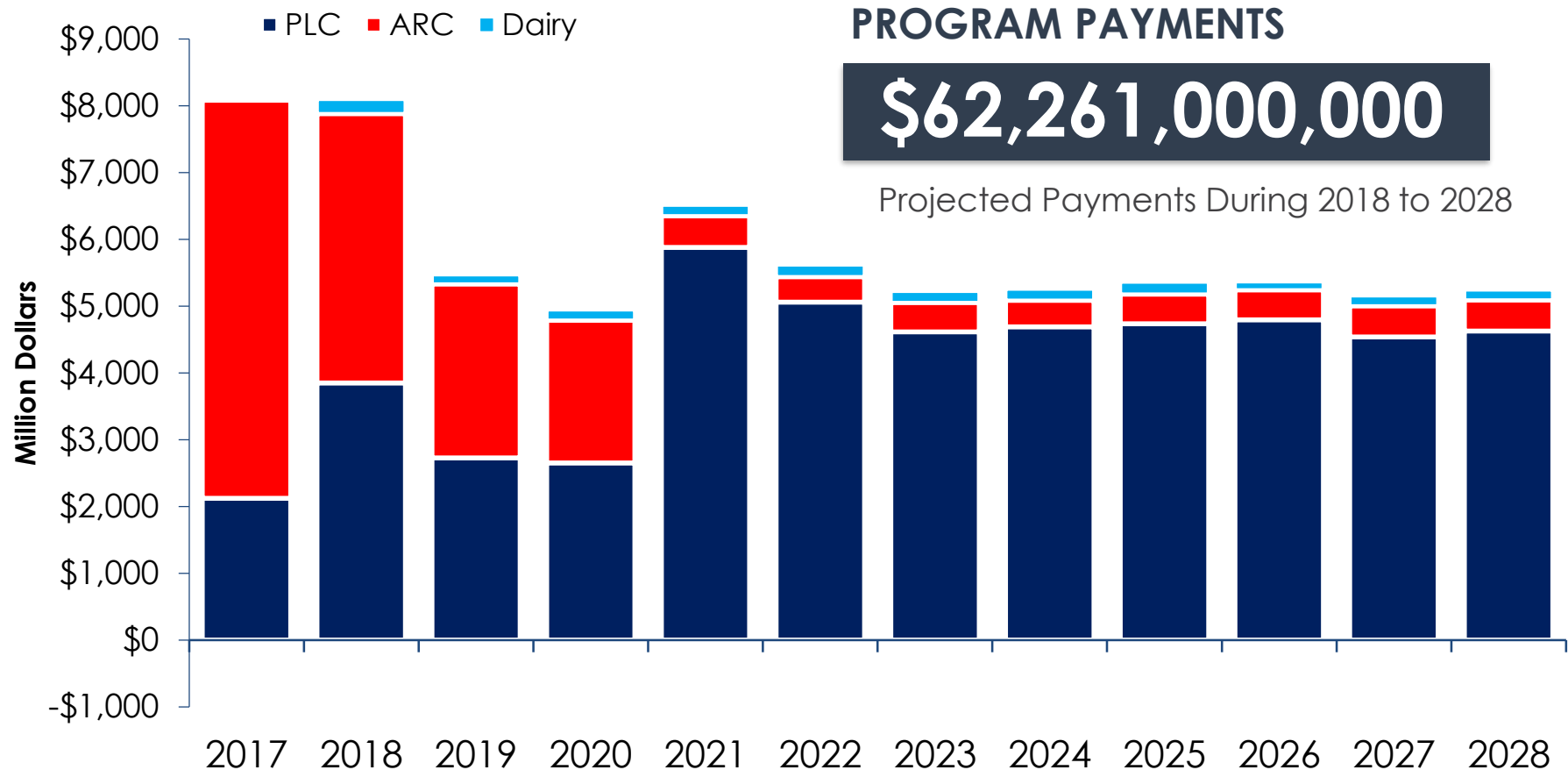
# 1-TIME YIELD UPDATING FOR DROUGHT

## Update PLC Yields to 90% of 2013-17 Yield





# REVENUE- AND PRICE-BASED SAFETY NETS

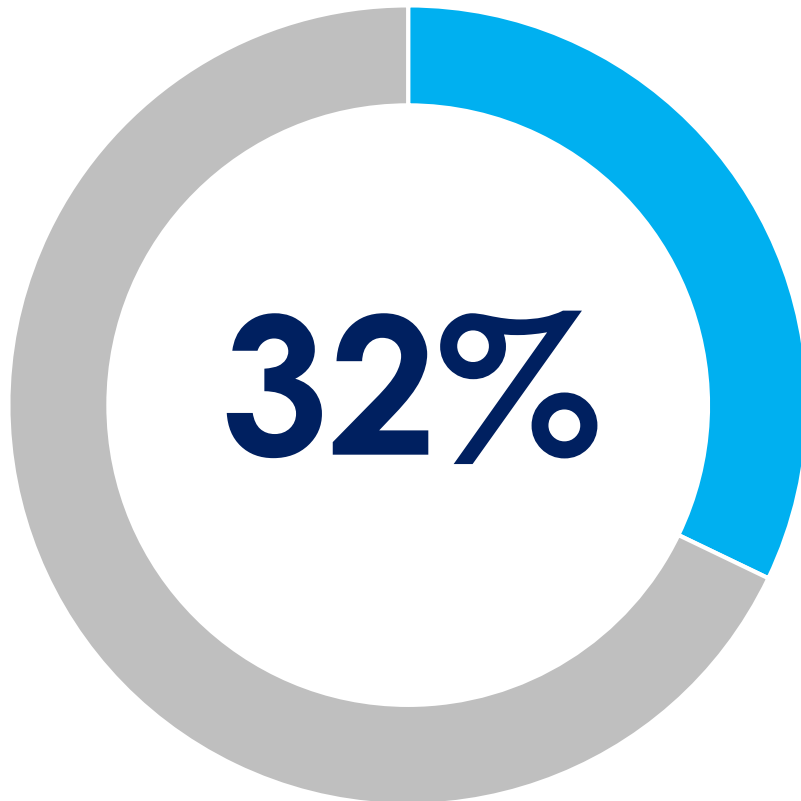


ARC-Individual Eliminated at Savings of \$143 Million Over 10; **ARC Now Based on RMA Yields**



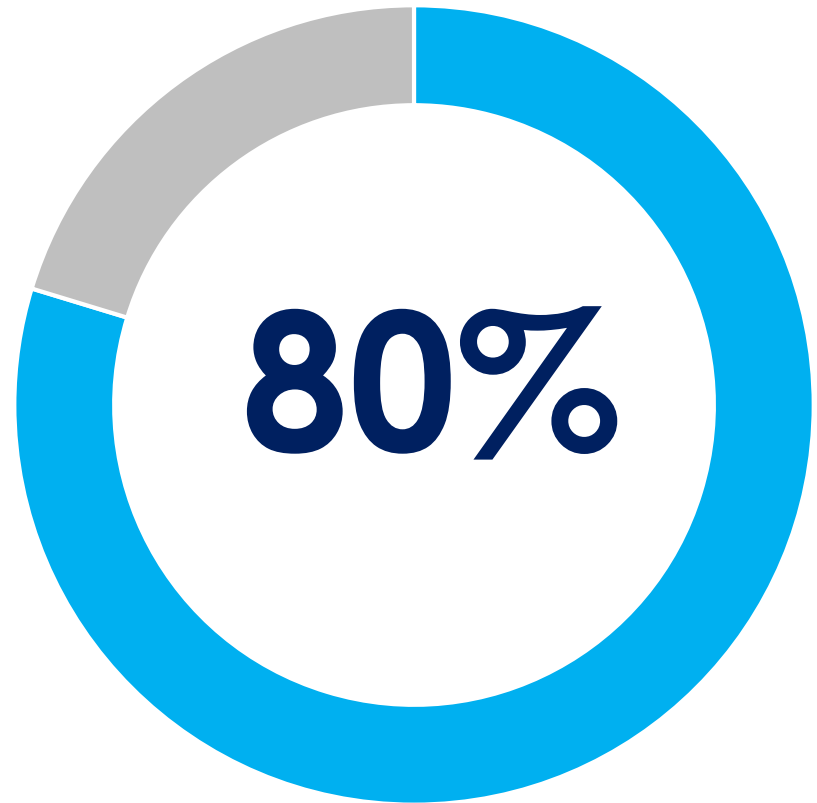
# SHIFT TOWARD PLC EXPECTED

**2014 to 2016**



**Program Payments  
from PLC**

**2018 to 2028**



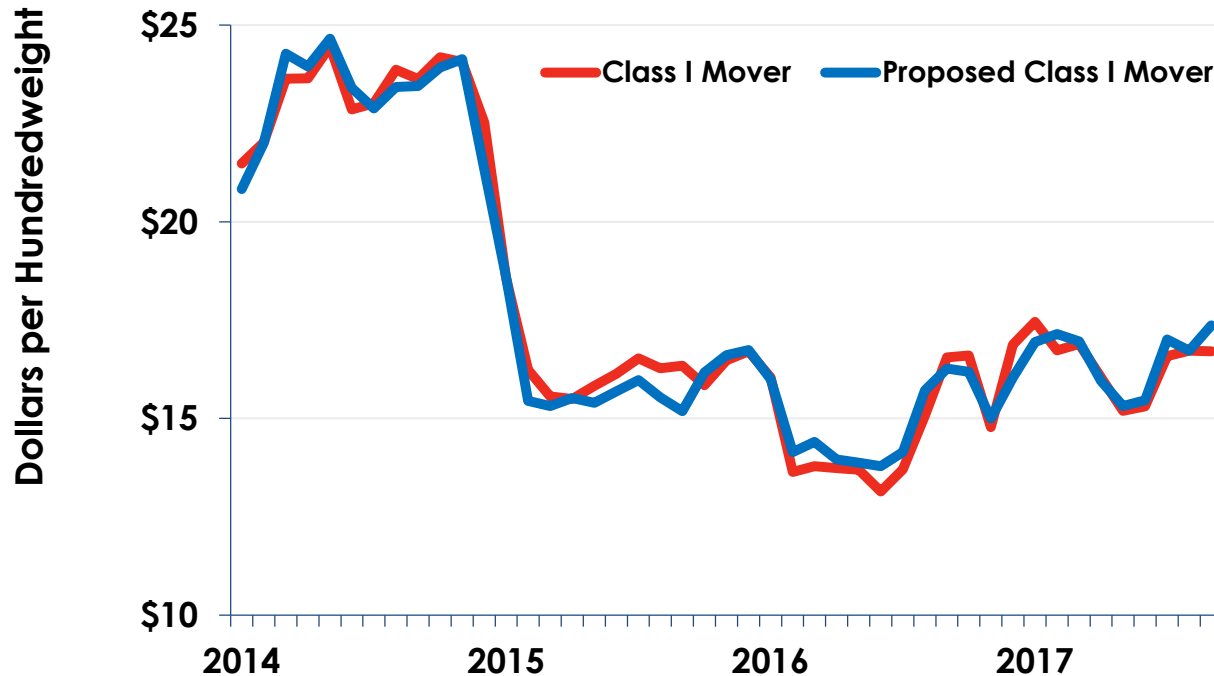
**Program Payments  
from PLC**





# HISTORIC REFORM IN BEVERAGE MILK PRICE

## IDFA/NMPF Change in Beverage Milk Pricing



**Goal is to facilitate fluid milk risk management for processors (using CME Group futures) with minimal impact on farmers**





# CHANGES IN DAIRY SAFETY NET

	Old MPP	MPP (BBA 2018)	H.R. 2
<b>Name</b>	Margin Protection Program	Margin Protection Program	<b>Dairy Risk Management</b>
<b>Coverage Decision</b>	Annual	Annual	<b>Locked in for Life of Bill</b>
<b>Coverage Level</b>	\$4 to \$8 in 50¢ increments	\$4 to \$8 in 50¢ increments	<b>\$4 to \$9 in 50¢ increments</b>
<b>Coverage Percentage</b>	25% to 90% in 5% increments	25% to 90% in 5% increments	<b>0% to 90% in 5% increments</b>
<b>Production History</b>	Updates Based on U.S. Growth	Updates Based on U.S. Growth	<b>Fixed, Does Not Update</b>
<b>Catastrophic Coverage</b>	\$4 per hundredweight	\$5 per hundredweight <b>for Tier 1 Only</b>	\$4 per hundredweight
<b>Premium Rates</b>	Expensive	Up to 80% Lower for Tier 1 Only	80% Lower for Tier 1 Only
<b>Use LGM-Dairy</b>	No	No	<b>Yes</b>
<b>Use Different Feed Prices/Formula</b>	NA	No	<b>Directs USDA to Research</b>



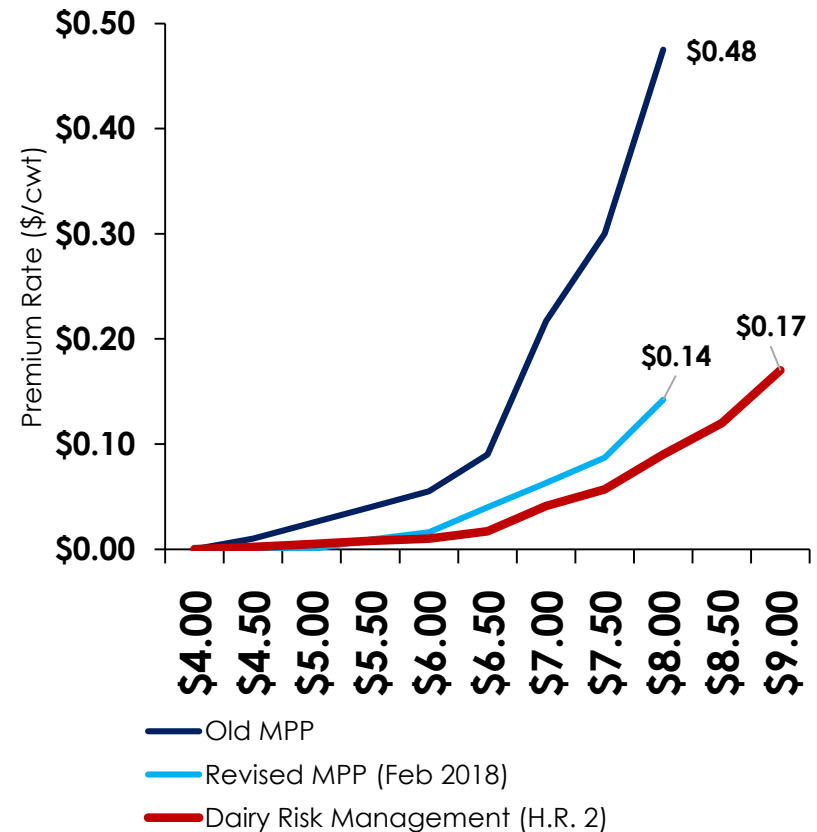
# DAIRY RISK MANAGEMENT

Dairy Risk Management Margin, 2015+



More **Affordable** Coverage by  
Reducing Tier 1 Rates by **80%** &  
Adds **\$9** Coverage

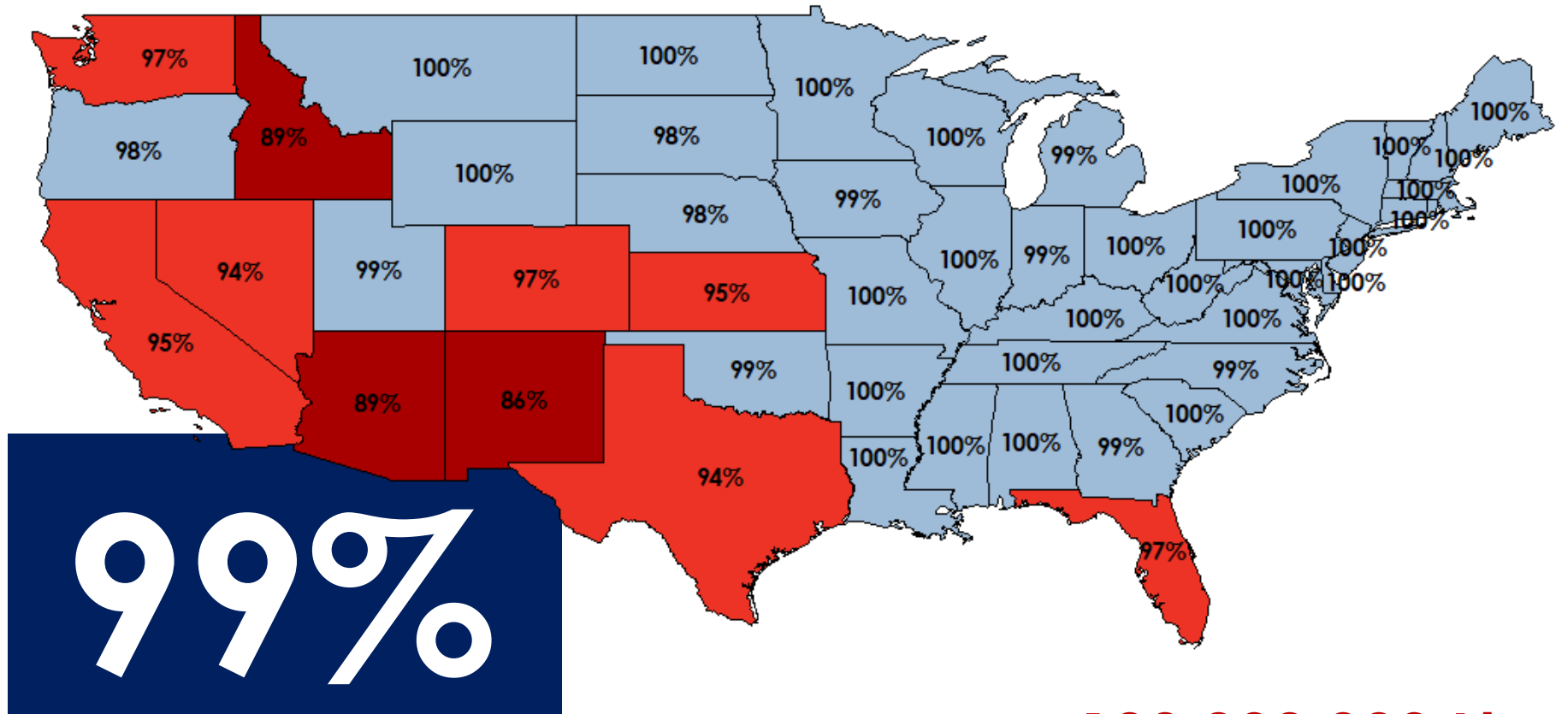
Premium Rates





# DAIRY, TIER 1 COVERAGE FOR MOST

## Percent of Farms Who Can Exclusively Purchase Tier 1



## Percent of Enrolled Operations With the Ability to Cover 5 Million Pounds or Less

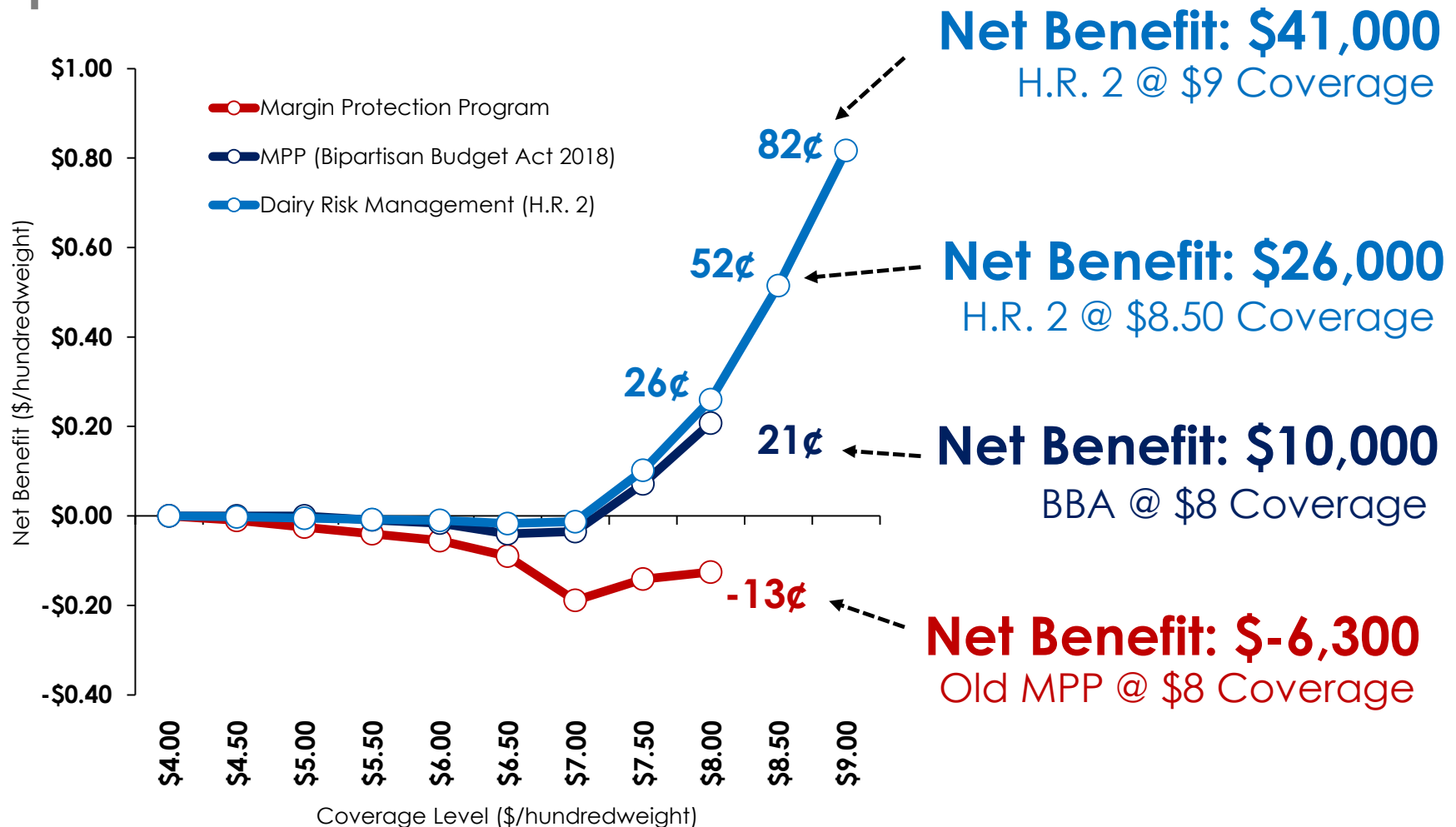
**100,000,000 Lbs.**  
Maximum Production History to Get  
Only Tier 1 Coverage

Source: H.R. 2, USDA FSA FOIA, Farm Bureau Calculations



# HOW WOULD DAIRY WORK IN 2018?

## Expected Net Benefits in 2018





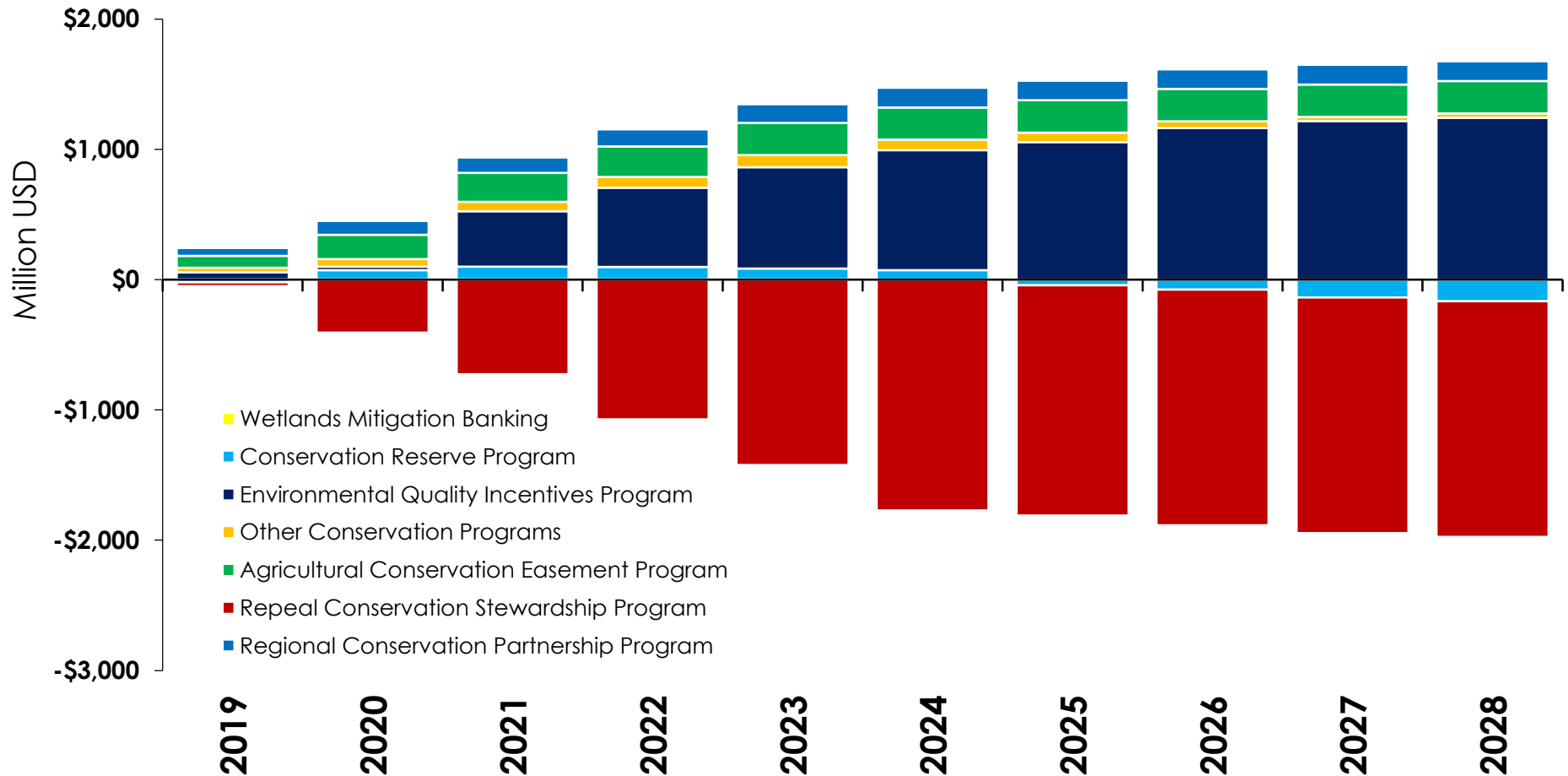
# CHANGES IN THE CONSERVATION TITLE

## Environmental Quality Incentives Program

**+\$7,693,000,000**

## Conservation Stewardship Program

**-\$12,618,000,000**



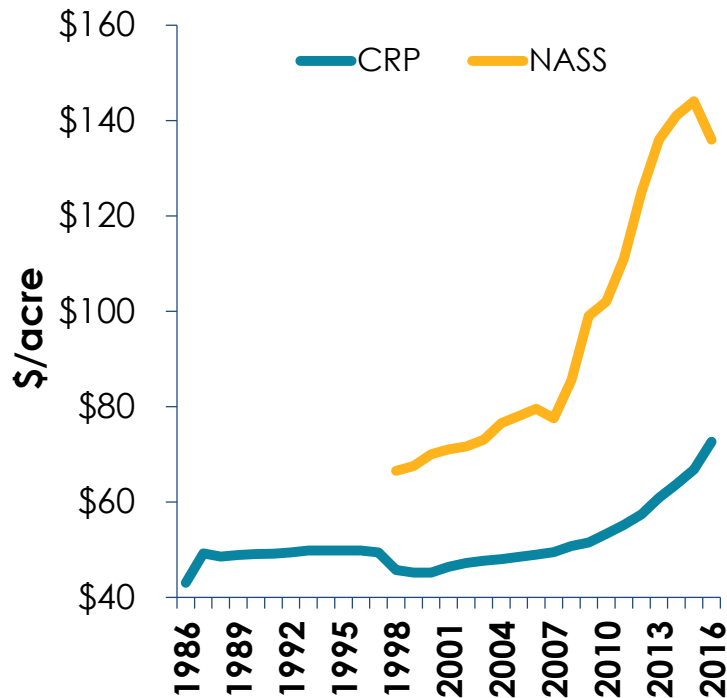


# CRP ACREAGE AND RENTAL RATES

FY2017 Conservation Reserve Program

**23.4 Million Acres**

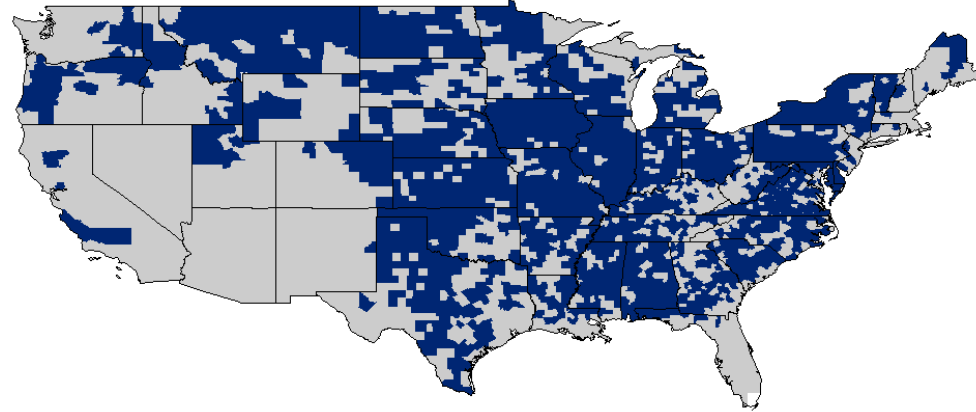
**Total \$1.8 billion**  
**\$78 per acre**



## Reforms to the CRP Programs

### Conservation (CRP)

#### CRP Rental Rates Relative to NASS Cash Rents



#### 2016 CRP Rental Rates

**Greater than 80%**

Shaded counties are areas where average general or continuous CRP rental rate exceeds **80%** of NASS cash rent

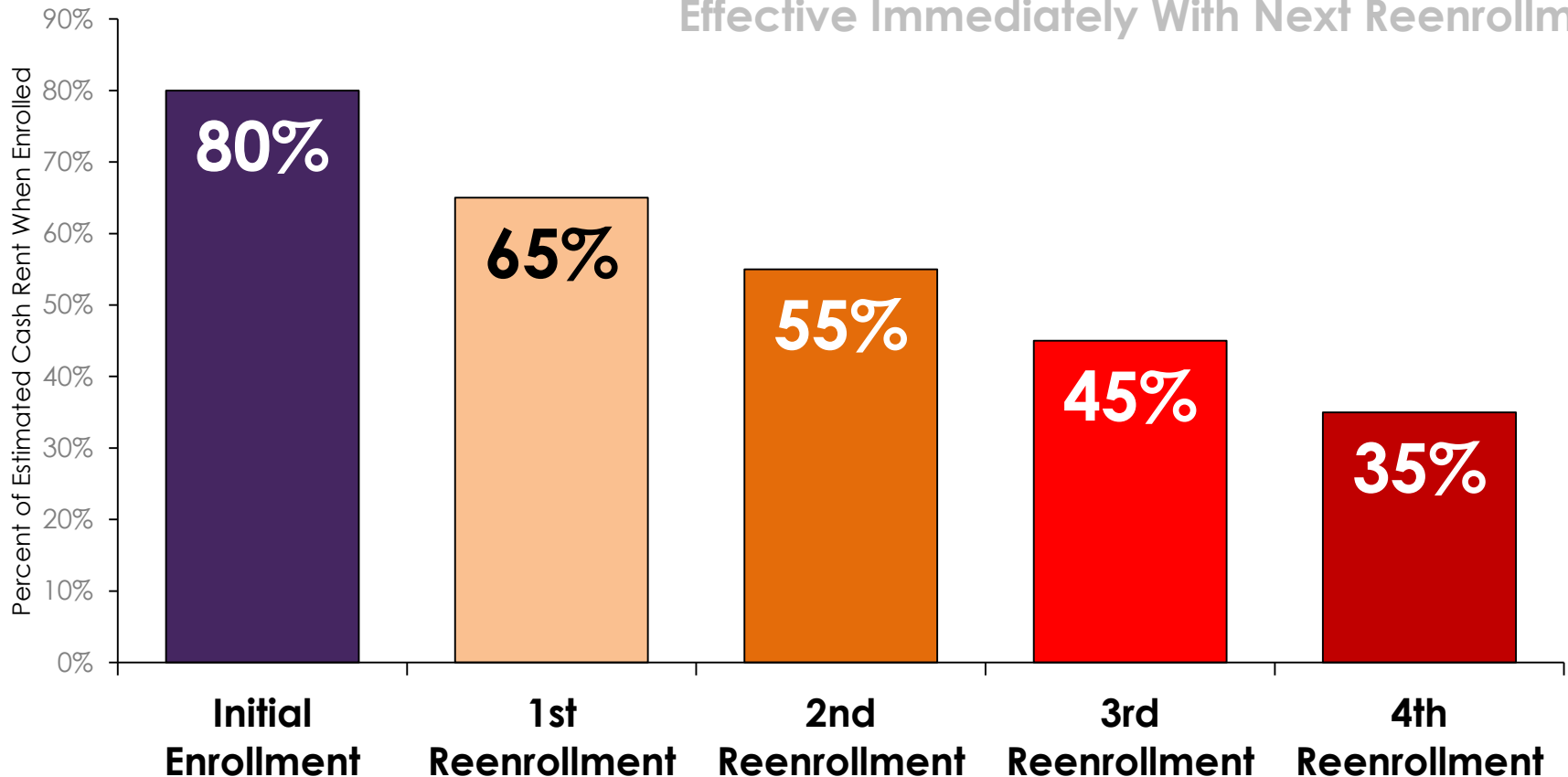




# REFORM IN CRP RENTAL RATES

**Rental Rates Decline by 10% to 15% For Multiple Enrollments**

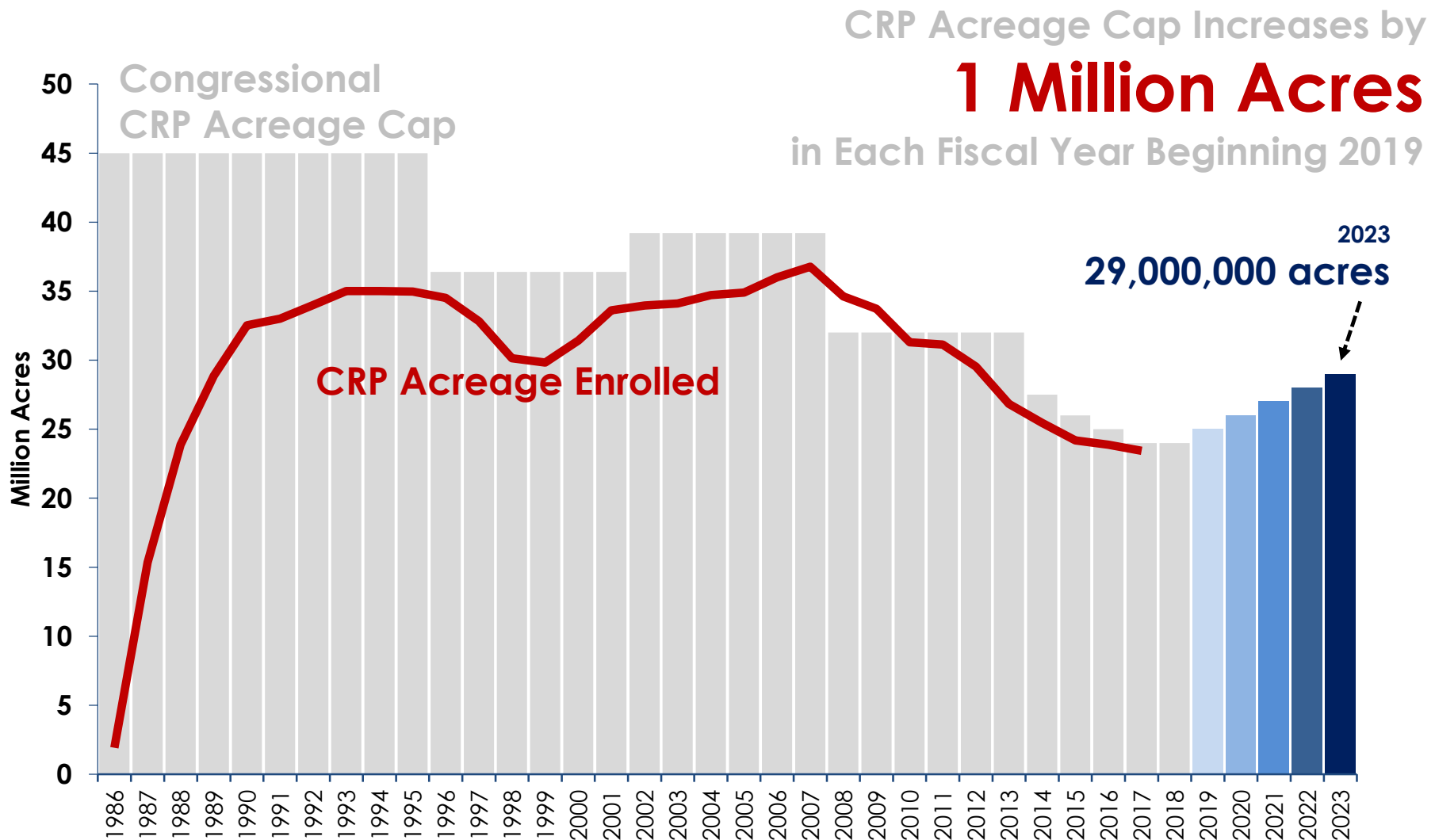
Effective Immediately With Next Reenrollment



**Applies to Both Continuous (Sensitive) and General Sign-Up**



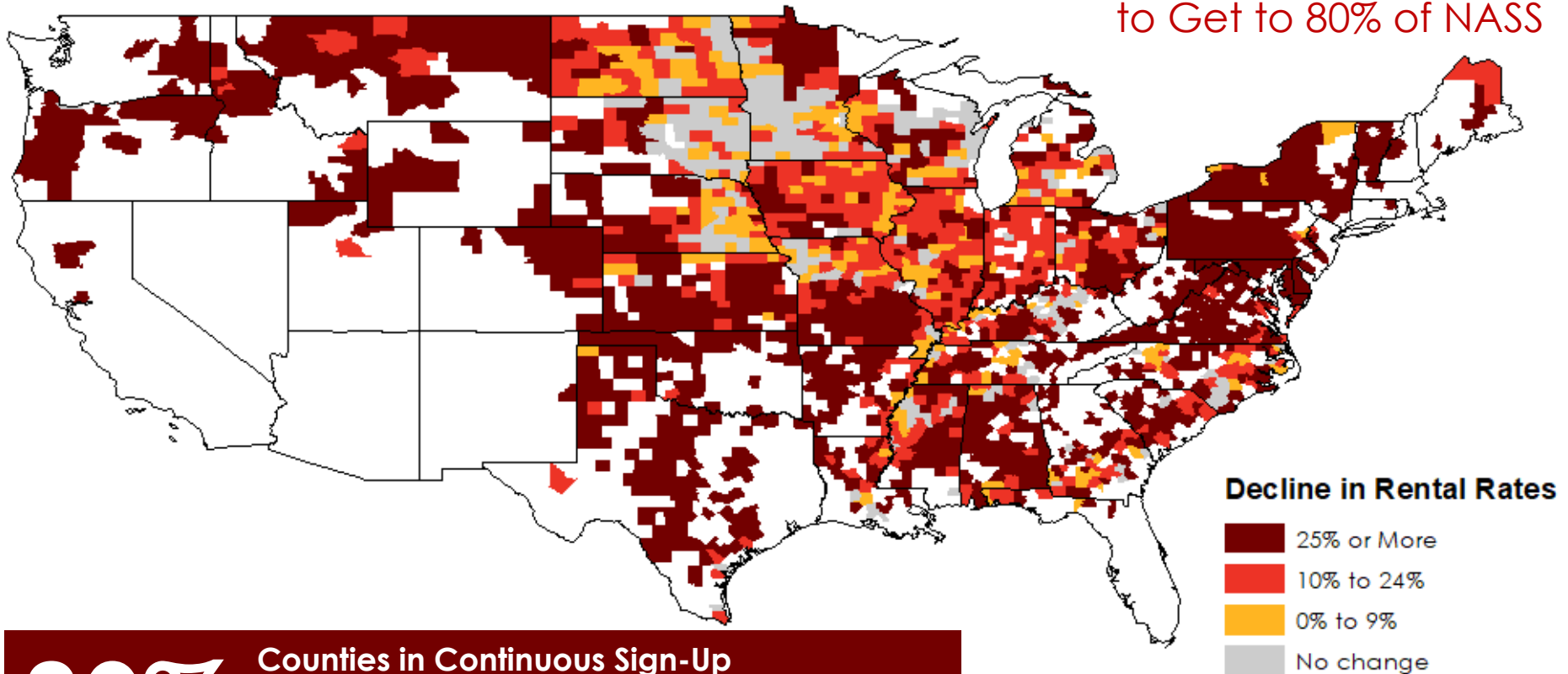
# EXPANSION OF CRP PROGRAM





# IMPACT OF RENTAL RATE CAP ON CONTINUOUS CRP SIGN UP

Based on 2016 Data, Rental Rates Would **32%**  
Need to Decline on Average by  
to Get to 80% of NASS



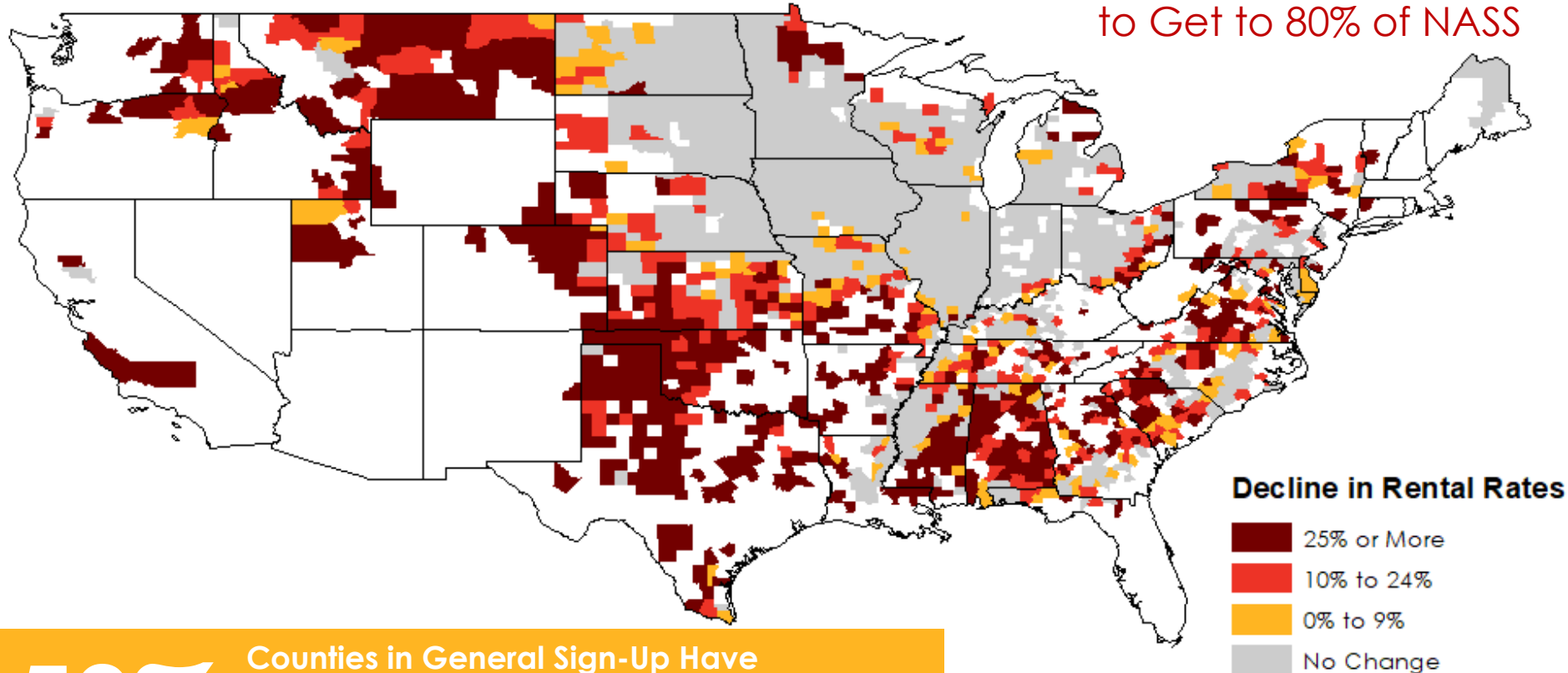
**89%**

Counties in Continuous Sign-Up  
Have Rental Rate Greater than 80%  
of 2016 NASS Cash Rent



# IMPACT OF RENTAL RATE CAP ON GENERAL CRP SIGN UP

Based on 2016 Data, Rental Rates Would  
Need to Decline on Average by **15%**  
to Get to 80% of NASS





# FOOD FOR PEACE (TRADE)

## 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*

## (Kika) De La Garza Emerging Markets Program

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

## International Market Development



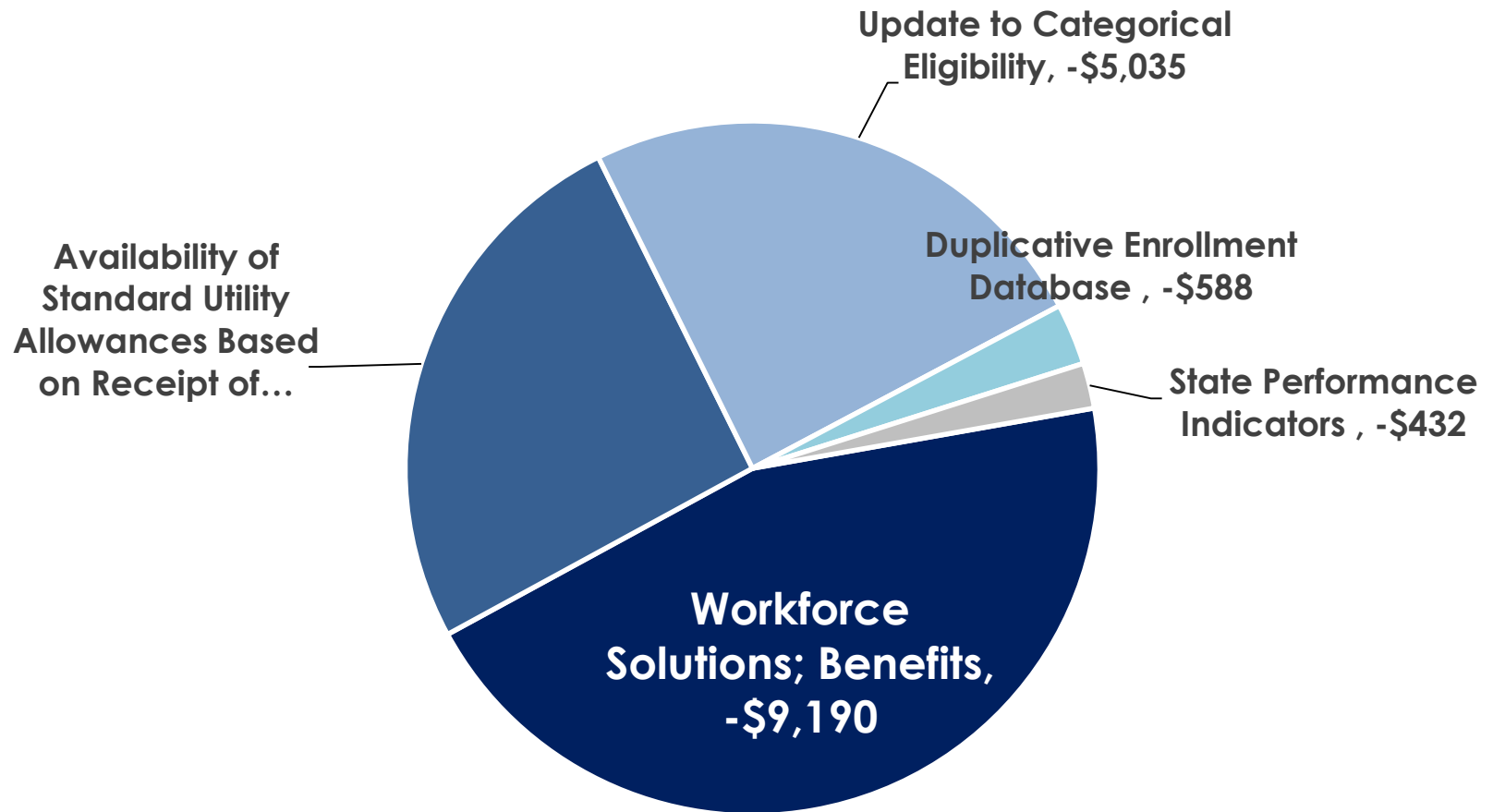
H.R. 2 Adds  
**\$45 Million Annually**  
**\$4.1 Billion Over Ten**



# REDUCTIONS IN NUTRITION SPENDING 2019-2028

Total Savings on Nutrition Programs

**\$20,495,000,000**

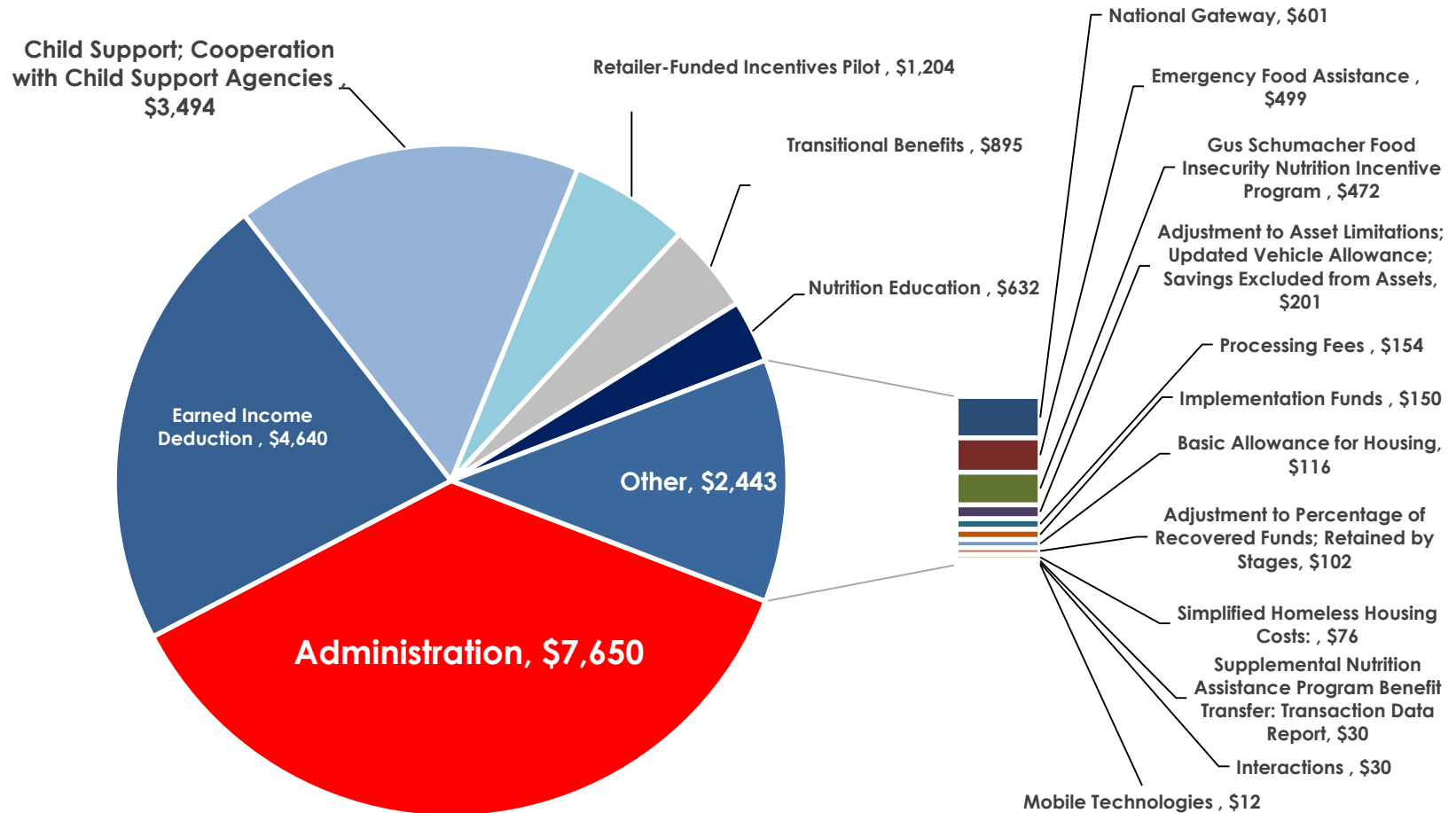




# INCREASES IN NUTRITION SPENDING 2019-2028

Total Increase in Nutrition Spending

**\$20,958,000,000**

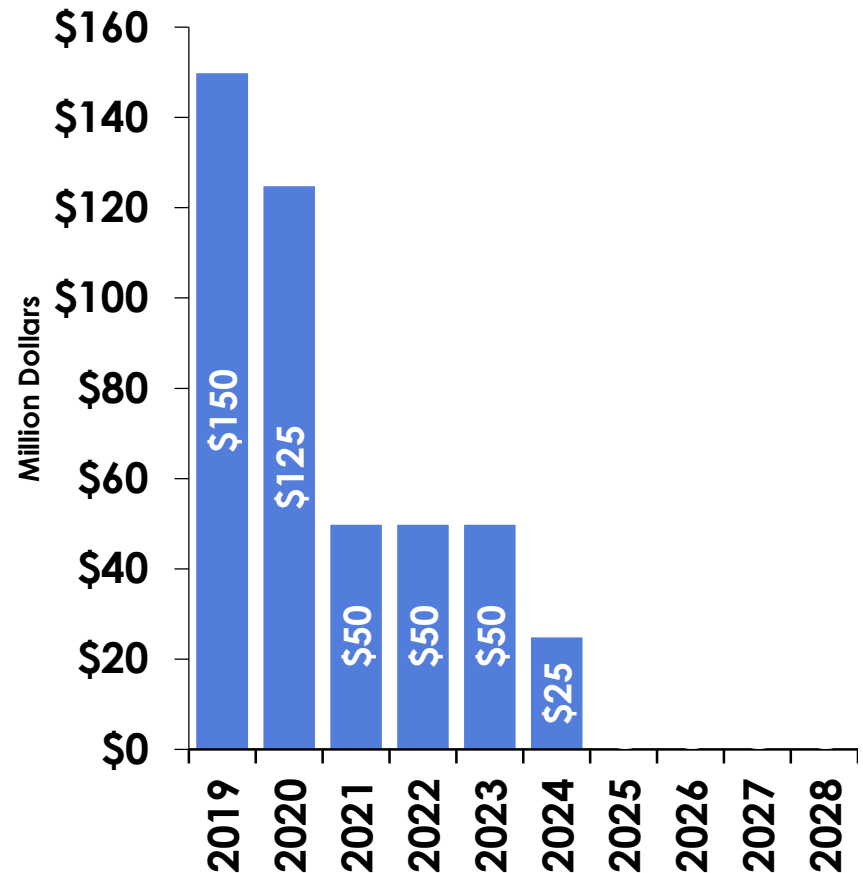




# FMD VACCINE BANK

## \$450,000,000

Funding for National Animal  
Disease Preparedness and  
Response







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# Questions?

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