



A New Farm Bill for a New Era?

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Farm Bill Timeline

- ◆ 2011
 - Committee hearings
 - Super Committee
 - Farm bill framework would have cut \$23 billion over 10 years
- ◆ 2012
 - Committee hearings and markup
 - Senate-passed farm bill – would have cut \$23 billion
 - House Ag Committee-passed farm bill – would have cut \$35 billion
 - No consideration before 2008 Farm Bill expiration
- ◆ 2013
 - One-year farm bill extension passed on January 1 as part of fiscal cliff tax legislation to avoid permanent legislation
 - Extended current programs, including ACRE, CCPs, and DPs
 - Further farm bill deliberation expected

Farm Bill Outlook

- ◆ Farm bill deliberations expected to begin again
 - Competing for attention on Congressional calendar with fiscal cliff-spending issues, remaining FY2013 appropriations, FY2014 budget, and debt ceiling
- ◆ Potential farm bill paths ahead
 - Part of broader legislation as a budget-saver
 - Full consideration of bill after March
 - Looming September 2013 expiration and potential further extension

Farm Bill Principles

- ◆ Expected future program directions
 - Crop insurance as the foundation
 - Revenue safety net to complement crop insurance
 - Price safety net as an alternative
 - Supplemental crop insurance option
 - No direct payments
 - Marketing loan
 - Disaster assistance

Farm Bill Safety Net Commodity Program Proposals

Component	Senate Proposal (S3240)		House Proposal (HR6083)	
	Farm ARC	County ARC	RLC	PLC
Guarantee	Farm revenue	County revenue	County revenue	National price
Benchmark	5-yr Oly average yield x 5-yr Oly average national price*	5-yr Oly average yield x 5-yr Oly average national price*	5-yr Oly average yield x 5-yr Oly average national price	Fixed reference prices Corn = \$3.70 Soy = \$8.40 Wheat = \$5.50
Payment trigger	Revenue < 89% of benchmark	Revenue < 89% of benchmark	Revenue < 85% of benchmark	National price < reference price
Payment coverage	79 - 89% of benchmark	79 - 89% of benchmark	75 - 85% of benchmark	Loan rate - reference price
Payment rate	65% of planted acres (45% of prevent-plant)	80% of planted acres (45% of prevent-plant)	85% of planted acres (30% of prevent-plant)	CCP yield x 85% of planted acres (30% of prevent-plant)
Loan rate	Same as 2008: Corn and Sorghum = \$1.95, Soybeans = \$5.00, Wheat = \$2.94			

* Minimum benchmark reference price for peanuts (\$530/ton) and rice (\$13.00/cwt)

Farm Bill Safety Net Crop Insurance Proposals

Provision	Senate Proposal (S3240)		House Proposal (HR6083)	
	ARC participants	Non-ARC participants	RLC participants	PLC participants
SCO deductible	21%	10%	N.A.	10%
subsidy rate	70%		70%	
STAX (cotton only) coverage band	70-90%		70-90%	
minimum price	n.a.		\$0.6861 \$/lb.	
subsidy rate	80%		80% (100% of subsidy for minimum price)	

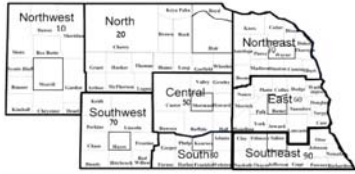
Farm Bill Safety Net Comparison

Weighted Average Program Payments plus Changes in Crop Insurance Net Indemnities

ARC/RLC/PLC plus Changes in Crop Insurance	Senate ARC/STAX/SCO	House PLC/RLC/STAX/SCO
\$/acre		
Corn	\$21.42	\$17.52
Soybeans	10.48	8.69
Wheat	8.07	14.05
Upland Cotton	39.73	40.89
Sorghum	6.90	7.50
Barley	7.90	28.86
Rice	16.97	94.72
Peanuts	15.45	85.62

Source: FAPRI, University of Missouri. Report #05-12, August 2012.

Nebraska Farm Income and Risk Model (N-FIRM)



Nebraska Farm Income and Risk Model (N-FIRM)

Crop/land Acres	District 10	District 20	District 30	District 50	District 60	District 70	District 80	District 90
	Farm	Farm	Farm	Farm	Farm	Farm	Farm	Farm
Corn Irrigated	372.9	891.0	230.1	794.7	318.9	702.6	558.6	280.4
Corn Dryland	0.0	157.2	380.2	125.8	273.4	282.6	171.5	377.7
Soybeans Irrigated	0.0	329.1	147.7	206.0	173.7	96.9	303.7	173.8
Soybeans Dryland	0.0	0.0	303.9	0.0	259.8	0.0	0.0	377.5
Winter Wheat	874.4	0.0	0.0	0.0	0.0	522.3	167.0	0.0
Total	1247.3	1377.3	1062.0	1127.5	1025.8	1604.3	1200.8	1209.3
Expected Yields 2011 (bu./acre)								
Corn Irrigated	166.0	188.1	205.7	194.9	190.5	193.4	204.6	195.8
Corn Dryland	0.0	76.5	155.5	94.0	129.9	71.1	112.5	111.3
Soybeans Irrigated	0.0	58.0	56.0	60.0	60.0	58.6	63.0	58.7
Soybeans Dryland	0.0	0.0	47.5	0.0	42.7	0.0	0.0	39.3
Winter Wheat	42.0	0.0	0.0	0.0	0.0	41.0	48.1	0.0
Actual Production History 2001-2010 (bu./acre)								
Corn Irrigated	156.9	175.0	185.4	181.8	183.2	183.0	193.0	186.2
Corn Dryland	0.0	71.5	131.9	81.4	123.4	68.4	89.2	111.5
Soybeans Irrigated	0.0	51.6	53.3	55.9	56.6	55.6	59.0	56.6
Soybeans Dryland	0.0	0.0	42.1	0.0	42.1	0.0	0.0	38.7
Winter Wheat	35.4	0.0	0.0	0.0	0.0	43.0	46.7	0.0

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

Farm Bill Safety Net Comparison

Policy Alternatives

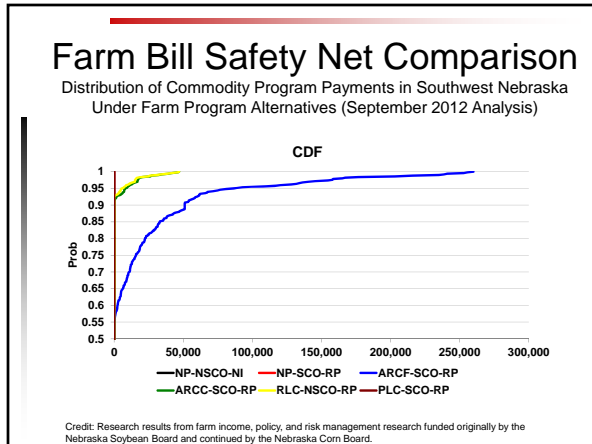
Alternative	Abbreviations	Government Program	Supplemental Coverage Option	Crop Insurance
Scenario 1	NP-NSCO-NI	No Program	No SCO	No Insurance
Scenario 2	NP-SCO-RP	No Program	SCO 90% to 70%	RP 70%
Scenario 3	ARCF-SCO-RP	ARC: Farm	SCO 79% to 70%	RP 70%
Scenario 4	ARCC-SCO-RP	ARC: County	SCO 79% to 70%	RP 70%
Scenario 5	RLC-NSCO-RP	RLC	No SCO	RP 70%
Scenario 6	PLC-SCO-RP	PLC	SCO 90% to 70%	RP 70%

Farm Bill Safety Net Comparison

Average Commodity Program Payments per Acre by Representative Farm (September 2012 Analysis)

Representative Farm	NP-NSCO-NI	NP-SCO-RP	ARCF-SCO-RP	ARCC-SCO-RP	RLC-NSCO-RP	PLC-SCO-RP
District 10 Farm	\$0.00	\$0.00	\$13.32	\$0.74	\$0.56	\$0.00
District 20 Farm	0.00	0.00	12.55	0.30	0.22	0.00
District 30 Farm	0.00	0.00	20.17	0.01	0.00	0.00
District 50 Farm	0.00	0.00	13.03	0.83	0.74	0.00
District 60 Farm	0.00	0.00	20.26	0.45	0.32	0.00
District 70 Farm	0.00	0.00	10.88	0.77	0.67	0.00
District 80 Farm	0.00	0.00	5.96	0.63	0.52	0.00
District 90 Farm	0.00	0.00	22.61	1.41	1.18	0.00

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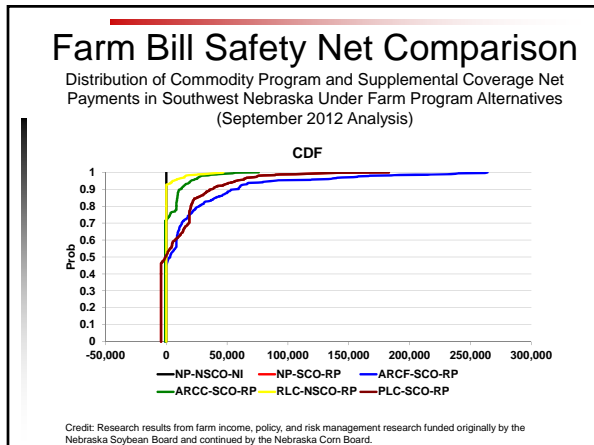


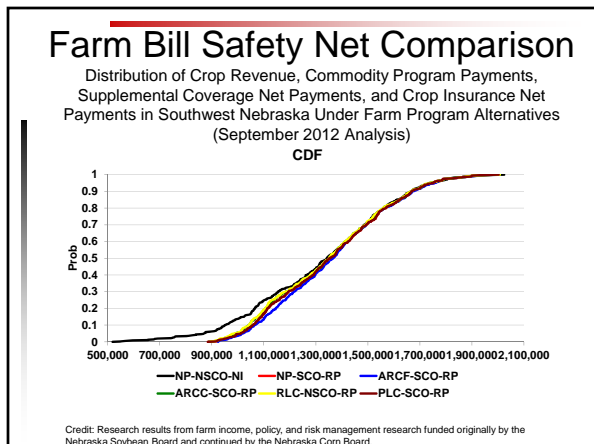
Farm Bill Safety Net Comparison

Average Commodity Program Payments and Supplemental Coverage Net Payments per Acre by Representative Farm (September 2012 Analysis)

Representative Farm	NP-NSCO-NI	NP-SCO-RP	ARCF-SCO-RP	ARCC-SCO-RP	RLC-NSCO-RP	PLC-SCO-RP
District 10 Farm	\$0.00	\$16.35	\$16.94	\$4.36	\$0.56	\$16.35
District 20 Farm	0.00	4.97	13.26	1.01	0.22	4.97
District 30 Farm	0.00	1.73	20.28	0.12	0.00	1.73
District 50 Farm	0.00	6.45	14.09	1.89	0.74	6.45
District 60 Farm	0.00	5.87	21.52	1.71	0.32	5.87
District 70 Farm	0.00	6.73	12.09	1.99	0.67	6.73
District 80 Farm	0.00	5.30	7.16	1.84	0.52	5.30
District 90 Farm	0.00	9.55	25.19	3.99	1.18	9.55

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.





Farm Bill Update

- ◆ Fiscal Cliff tax legislation included one-year farm bill extension
 - Commodity programs reauthorized for 2013
 - Including direct payments
 - Creates ACRE v. DCP decision again for 2013
 - Disaster assistance authorized for 2012 and 2013 but not funded
 - LIP, LFP, ELAP, and TIP, not SURE
 - Conservation programs
 - CRP reauthorized for 2013 – would allow a new general sign-up
 - Other programs largely funded by current 6-month continuing resolution (through March)

Farm Bill Déjà Vu

- ◆ ACRE
 - Revenue guarantee, trigger, and payments on planted acres
 - State revenue guarantee
 - Average yield * average price * 90%
 - 10% limit on changes in guarantee from year to year
 - Farm revenue trigger
 - Average yield * average price + crop insurance premium paid
 - DPs
 - Paid on base acres at 80% of the DP rate
- ◆ DCP
 - CCP
 - Target price – DP rate – higher of market price or loan rate
 - Paid on base acres
 - DPs
 - Paid on base acres at 100% of the DP rate

Farm Bill Safety Net Comparison

ACRE Program Parameters
(Projected as of January 2013)

State Yields for ACRE - Nebraska Yields per Planted Acre

Year	Corn			Soybeans			Wheat
	Corn	Irrigated	Dryland	Soybeans	Irrigated	Dryland	
2007	160.0	181.2	125.0	51.0	55.7	47.8	43.0
2008	163.0	184.0	130.0	46.5	56.0	38.5	44.0
2009	178.0	198.0	149.0	54.5	60.5	49.0	48.0
2010	166.0	185.6	137.5	52.5	59.3	46.6	43.0
2011	160.0	180.0	132.0	54.0	60.6	47.4	45.0
2012*	142.0	0.0	0.0	41.5	0.0	0.0	41.0
2007-2011 Average	163.0	183.6	133.2	52.5	58.6	47.3	44.0
2008-2012 Average	163.0	183.2	133.2	51.0	58.6	44.2	44.0
2013 Projected Yields*		202.8	131.5		62.6	47.2	43.6

* 2012 yields estimated from USDA-NASS data where available. Corn and soybean yield data by practice not yet available, but assumed to be the minimum for purposes of calculating Olympic average yields.

** 2013 projected yields based on simulation model.

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

Farm Bill Safety Net Comparison

ACRE Program Parameters
(Projected as of January 2013)

Market Prices for ACRE - National Marketing Year Average Prices			
Year	Corn	Soybeans	Wheat
2010-2011	\$5.18	\$11.30	\$5.70
2011-2012	6.22	12.50	7.24
2012-2013*	7.40	14.25	7.90
2010/11-2011/12 Average	5.70	11.90	6.47
2011/12-2012/13 Average	6.81	13.38	7.57
Projected 2013-2014 Price**	5.67	13.06	8.76

* 2012-2013 estimated from USDA-WASDE data as of January 11, 2013.
** 2013-2014 projected price based on futures prices as of January 11, 2013 and simulation model.

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

Farm Bill Safety Net Comparison

ACRE Program Parameters
(Projected as of January 2013)

Year	Corn		Soybeans		Wheat
	Irrigated	Dryland	Irrigated	Dryland	
2012 State ACRE Guarantee	\$763.43	\$502.04	\$594.87	\$465.55	\$223.10
5-Year Olympic Average State Yield	183.2	133.2	58.6	44.2	44.0
2-Year National MYA Price	6.81	6.81	13.38	13.38	7.57
2013 Calculated State ACRE Guarantee	\$1,122.83	\$816.18	\$705.40	\$531.66	\$299.77
2013 Adjusted State ACRE Guarantee*	\$839.77	\$552.24	\$654.36	\$512.11	\$245.41
Expected 2013 State Yield	202.8	131.5	62.6	47.2	43.6
Expected 2013-2014 National MYA Price	5.67	5.67	13.06	13.06	8.76
Expected 2013 State Revenue	\$1,149.88	\$745.61	\$817.56	\$616.43	\$381.94
Revenue Loss to Trigger ACRE Payment	37%	35%	25%	20%	56%

* Adjusted guarantee based on 10% limit on changes in 2013 guarantee from 2012 guarantee.

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Farm Bill Safety Net Comparison

Policy Alternatives

Alternative	Abbreviations	ACRE Program	CCP Program	DP Program
Scenario 1	NP	No	No	No
Scenario 2	ACRE	Yes	No	Yes - 80%
Scenario 3	DCP	No	Yes	Yes - 100%
Scenario 4	ACRE-NDP	Yes	No	No
Scenario 5	CCP	No	Yes	No

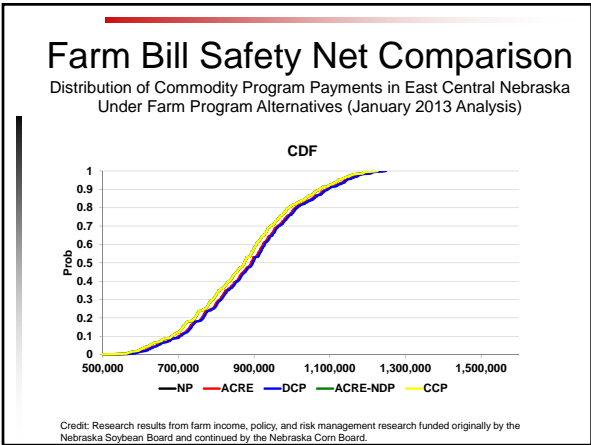
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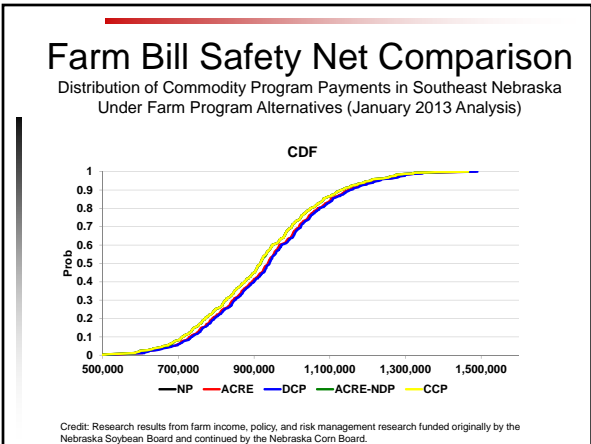
Average Commodity Program Payments per Acre by Representative Farm (January 2013 Analysis)

Average Farm Program Payments per Acre by Representative Farm

Representative Farm	Risk Management Scenario			
	ACRE	DCP	ACRE-NDP	CCP
District 10 Farm	\$14.50	\$18.12	\$0.00	\$0.00
District 20 Farm	18.86	23.57	0.00	0.00
District 30 Farm	15.15	18.66	0.22	0.00
District 50 Farm	20.20	25.24	0.00	0.00
District 60 Farm	17.59	21.75	0.19	0.00
District 70 Farm	17.38	21.72	0.01	0.00
District 80 Farm	19.69	24.61	0.01	0.00
District 90 Farm	16.36	20.22	0.18	0.00

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.





Farm Bill Summary and Producer Decisions

- ◆ New farm bill will eventually change role of safety net
 - Primary role for crop insurance
 - Revenue-based or price-based safety net to complement crop insurance
 - Potential supplemental crop insurance program
 - No direct payments
 - Integration of farm programs, crop insurance, and marketing strategies into integrated risk management decision

- ◆ In the meantime, the 2013 farm program will require choice of existing tools
 - ACRE provides revenue-based safety net
 - Substantially below expected revenue due to limits
 - 80% of DPs
 - DCP provides price-based safety net
 - Substantially below ACRE in effective price protection
 - 100% of DPs
