Ag Policy Outlook: Managing Through Uncertainty
Bradley D. Lubben

Policy Outlook

• Farm program payments and support
  • Price projections
  • PLC projections
  • ARC projections
• 2018 Farm Bill issues
  • Budget challenges
  • Spending priorities
  • Program reforms – ARC, dairy, cotton, CRP
• Beyond the Farm Bill
Farm Program Support

• **ARC**
  - Revenue-based support tied to average prices and average yields
  - Substantial payments on 2014, 2015, and 2016 crops
  - Sharply declining protection for 2017 and 2018 crops as average prices have fallen

• **PLC**
  - Price-based support tied to fixed reference price
  - Little payments on 2014 crop
  - Substantial payments and protection for 2015-2018 crop with lower price projections, particularly for wheat and grain sorghum

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**Farm Income Safety Net**

Corn Prices, PLC, and ARC Price Protection*

*Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.*
Farm Income Safety Net
Soybean Prices, PLC, and ARC Price Protection*

* Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.

Farm Income Safety Net
Grain Sorghum Prices, PLC, and ARC Price Protection*

* Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.
Farm Income Safety Net: Wheat Prices, PLC, and ARC Price Protection*

- Price projections for 2017 from USDA-WOAB and USDA-FSA as of January 2018. Price projections for 2018 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WOAB and USDA-OCE.

Farm Program Outlook: Price Projections*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Corn</td>
<td>3.70</td>
<td>3.61</td>
<td>3.36</td>
<td>3.25</td>
<td>3.30</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>4.03</td>
<td>3.31</td>
<td>2.79</td>
<td>3.15</td>
<td>3.30</td>
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<tr>
<td>Soybeans</td>
<td>10.10</td>
<td>8.95</td>
<td>9.47</td>
<td>9.30</td>
<td>9.40</td>
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<tr>
<td>Wheat</td>
<td>5.99</td>
<td>4.89</td>
<td>3.89</td>
<td>4.60</td>
<td>4.60</td>
</tr>
</tbody>
</table>

## Farm Program Outlook

### Average PLC Payment Rates in Nebraska*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Average PLC Payment Yield (bushels/acre)</th>
<th>Average PLC Payment Rates per Base Acre ($/base acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Corn</td>
<td>150</td>
<td>0.00</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>77</td>
<td>0.00</td>
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<tr>
<td>Soybeans</td>
<td>45</td>
<td>0.00</td>
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<tr>
<td>Wheat</td>
<td>41</td>
<td>0.00</td>
</tr>
</tbody>
</table>

* PLC payment projections (prior to payment limits and budget sequestration) based on weighted average PLC payment yields and price projections for 2017 from USDA-NASS, USDA-WAOB, and USDA-FSA as of January 2018 and price projections for 2018 from USDA-OCE as of December 2017. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.

## Farm Program Outlook

### Average ARC-CO Payment Rates in Nebraska*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>County/Practice Combinations</th>
<th>Average ARC-CO Payment Rates per Base Acre ($/base acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Corn</td>
<td>131</td>
<td>53.31</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>103</td>
<td>18.44</td>
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<tr>
<td>Soybeans</td>
<td>112</td>
<td>15.56</td>
</tr>
<tr>
<td>Wheat</td>
<td>113</td>
<td>9.28</td>
</tr>
</tbody>
</table>

* ARC-CO payment projections (prior to payment limits and budget sequestration) based on yield and price projections for 2017 from USDA-NASS, USDA-WAOB, and USDA-FSA as of January 2018 and Olympic average yields and price projections for 2018 from USDA-OCE as of December 2017. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.
Nebraska Farm Program Payments

Sources: USDA-ERS and author calculations.

Nebraska Farm Income

Sources: USDA-ERS and author calculations.
The Economic Setting
U.S. Net Farm Income and Government Payments

Sources: USDA-ERS and author calculations.

Federal Budget Challenges
Total Federal Spending and Revenue, FY 2017

Source: CBO
Farm Bill Budget Outlook

- Big 4 account for 99% of spending
  - Commodities
  - Crop Insurance
  - Conservation
  - Nutrition (Supplemental Nutrition Assistance Program)

- Everything else fits in the 1%
  - Trade
  - Credit
  - Rural Development
  - Research, Extension, and Related Matters
  - Forestry
  - Energy
  - Horticulture
  - Miscellaneous

The Budget Challenge
Government Spending – 10-Year Baseline Projections

Source: CBO
The Budget Challenge
Government Spending – 10-Year Baseline Projections

Source: CBO

Farm Bill Outlook

• Commodity programs
  • ARC yields – data and history
  • Reference prices
  • ARC v. PLC decision
  • Dairy and cotton

• Crop insurance programs
  • Program features
  • Eligibility limits
  • Premium subsidy

• Conservation
  • CRP enrollment cap
  • CRP rental rates

• Nutrition (Supplemental Nutrition Assistance Program)
  • Supports and eligibility levels
  • Not a source of funds for farm program spending
Nebraska 2016 ARC-CO Payments*
Corn (In Blended Counties) Payments

Sources: USDA-FSA and author calculations.

* Payments per base acre adjusted for 85% paid acre factor. Total payments subject to 6.9% budget sequestration not factored into estimates.

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Nebraska 2016 ARC-CO Payments*
Corn Payments Compared to Corn Revenue with Payments (In Blended Counties)

Sources: USDA-FSA and author calculations.

* Payments per base acre adjusted for 85% paid acre factor. Total payments subject to 6.9% budget sequestration not factored into estimates.
Farm Income Safety Net
Corn Prices, PLC, and ARC Price Protection*

* Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018-2023 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.

Farm Income Safety Net
Grain Sorghum Prices, PLC, and ARC Price Protection*

* Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018-2023 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.
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Farm Income Safety Net
Wheat Prices, PLC, and ARC Price Protection*

Farm Income Safety Net
Soybean Prices, PLC, and ARC Price Protection*

* Price projections for 2017 from USDA-WAOB and USDA-FSA as of January 2018. Price projections for 2018-2023 from USDA-OCE as of December 2017. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.
Farm Program Payments
Budget Projections, June 2017

Source: USDA-ERS, CBO, and author calculations

Farm Income Safety Net
Corn Prices and Price Projections*

* Estimated national marketing year average price for 2017 projected from USDA-WAOB as of January 2018. Long-run price projections from USDA annual baseline estimates for various years. Source: USDA-NASS, USDA-WAOB, and USDA-OCE
Farm Bill Outlook

- Commodity programs
  - ARC yields – data and history
  - Reference prices
  - ARC v. PLC decision
  - Dairy and cotton
- Crop insurance programs
  - Program features
  - Eligibility limits
  - Premium subsidy
- Conservation
  - CRP enrollment cap
  - CRP rental rates
  - Working lands funding
- Nutrition (Supplemental Nutrition Assistance Program)
  - Supports and eligibility levels
  - Not a source of funds for farm program spending

Crop Insurance Proposals

- Crop insurance policy proposals
- Program features
  - Subsidized harvest price option/coverage
- Eligibility limits
  - Premium subsidy limit
  - AGI cap for premium subsidy rate/eligibility
- Premium subsidy
  - Reduction in average 62% subsidy rate
Farm Bill Outlook

- Commodity programs
  - ARC yields – data and history
  - Reference prices
  - ARC v. PLC decision
  - Dairy and cotton
- Crop insurance programs
  - Program features
  - Eligibility limits
  - Premium subsidy

- Conservation
  - CRP enrollment cap
  - CRP rental rates
  - Working lands funding
- Nutrition (Supplemental Nutrition Assistance Program)
  - Supports and eligibility levels
  - Not a source of funds for farm program spending

Conservation Reserve Program
Enrolled Acreage and Corn Prices

Source: USDA-FSA and USDA-NASS
Conservation Reserve Program
Enrolled Acreage by Category

Source: USDA-FSA

Conservation Program Payments

Source: USDA-ERS

***Includes the Wetland Reserve Program, Farmland Protection Program, and Grassland Reserve Program (easement portion) for 1996-2013.
Working Lands Programs
Budget Authority and Outlays

Source: Selected legislation, CBO, and author calculations

Beyond the Farm Bill

- Trade
- Regulations
- Taxes
- Spending/Entitlement Reform
- Energy
- Infrastructure
- Health Care
- Immigration Reform
- Societal Demands
Policy Outlook

• Trade
  • Renegotiation of NAFTA
    • On-going talks with continued challenges
  • Post-TPP or TPP-11
    • TPP negotiations ongoing without the U.S.
  • TTIP
    • Little recent progress or activity reported
  • WTO
    • 11th Ministerial Conference in Buenos Aires, Argentina in December

• Regulations
  • Environment – WOTUS, energy, air
  • Food – biotech, labeling, food safety
Policy Outlook

- **Taxes**
  - Marginal tax rates
    - Corporate
    - Individual
  - Expenses and deductions
  - Estate tax

Policy Outlook

- **Food policy and societal demands**
  - Food security
  - Nutrition
  - Biotechnology
  - Antibiotics
  - Animal welfare
  - Labeling
  - Legislation and regulations vs. market standards


Highest income households spend more on food than lowest income households have income.
Food Policy
The Social License

Earning and maintaining Social License, the privilege of operating with minimal formalized restrictions, depends largely on building trust based on shared values. Of the three primary elements that drive trust—Confidence (shared values and ethics), Competence (skills and ability) and Influential Others (family, friends and credentialed individuals), our peer-reviewed research shows that Confidence, or shared values, is three-to-five times more important than Competence in building trust.

Source: Charlie Arnot, Center for Food Integrity (www.foodintegrity.org)

Ag Economic and Policy Outlook
• Price, income, and financial challenges
  • Make sound management decisions based on economic principles
  • Factor in substantial, but declining support of farm income safety net programs
  • Manage portfolio of risks with portfolio of tools and management strategies

• Policy risks and uncertainty
  • Prepare for budget pressure and changes in farm income safety net
  • Watch, engage, and manage for policy developments in other areas that impact agriculture, including trade, regulations, taxes, energy, infrastructure, immigration, and health care, and societal demands on agriculture