




Ag Policy Outlook Managing Through Uncertainty

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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



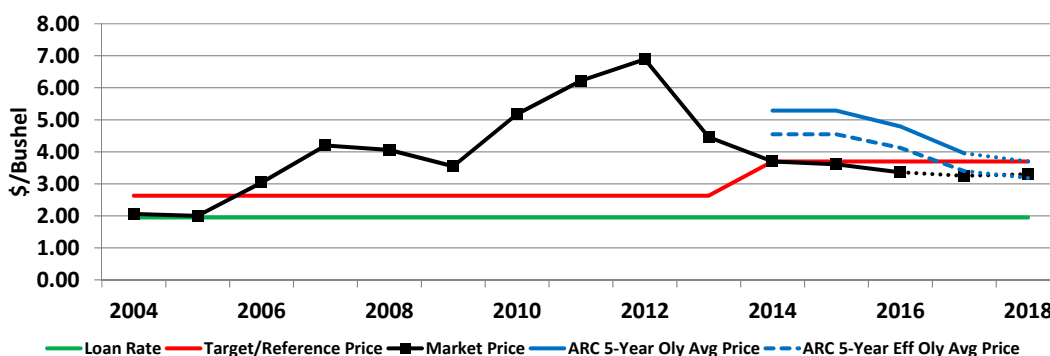


Farm Program Support

- 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

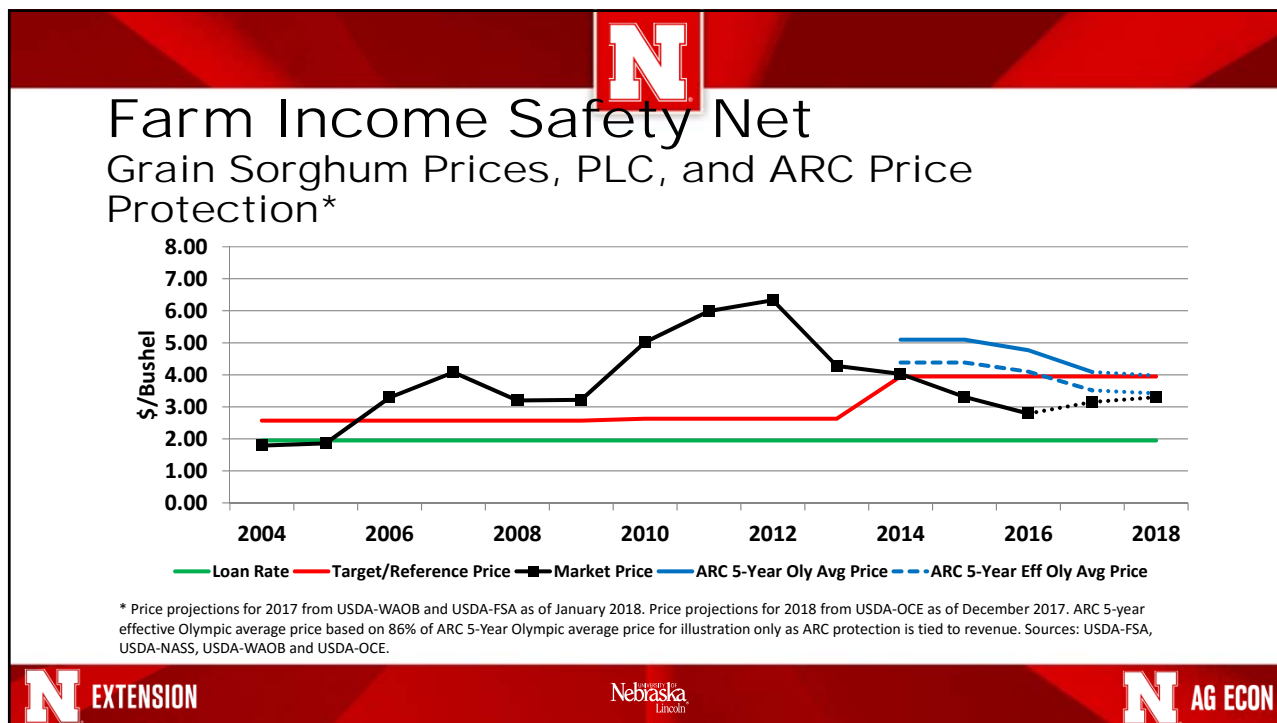
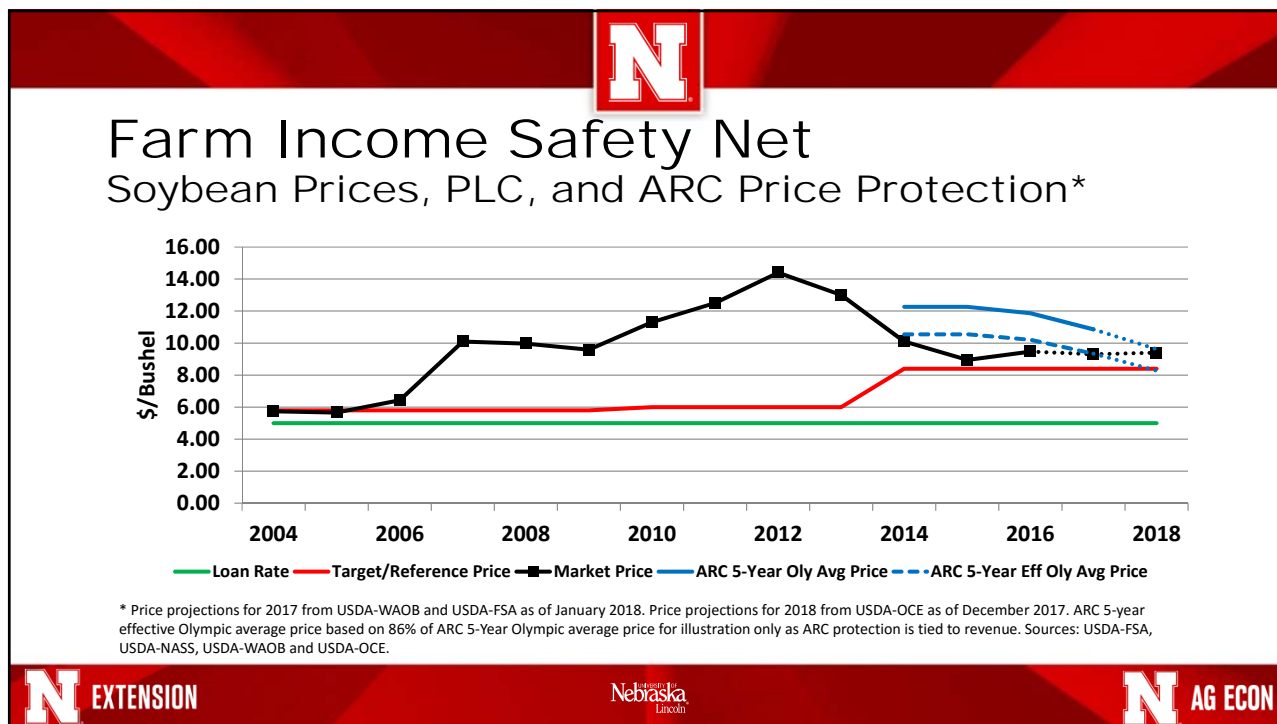


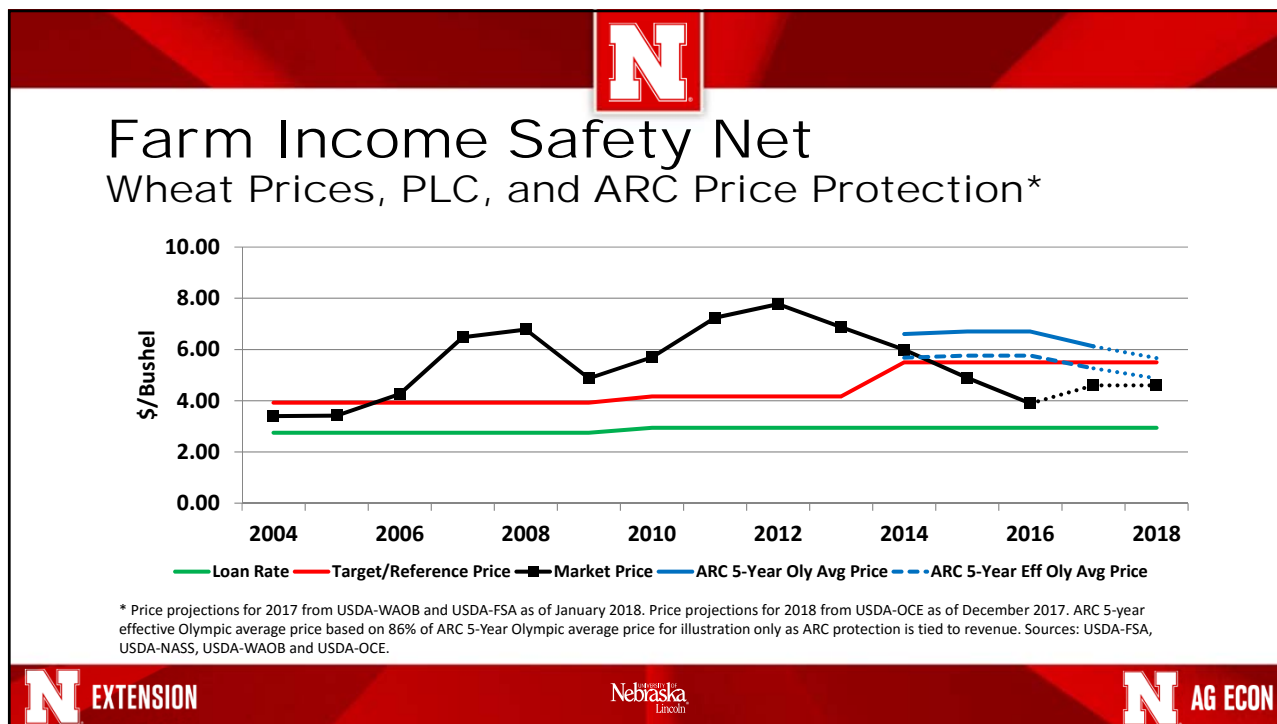
Farm Income Safety Net Corn Prices, PLC, and ARC Price Protection*



* 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 Program Outlook
 Price Projections*

Commodity	Prices (\$/bushel)				
	2014	2015	2016	2017	2018
Corn	3.70	3.61	3.36	3.25	3.30
Grain Sorghum	4.03	3.31	2.79	3.15	3.30
Soybeans	10.10	8.95	9.47	9.30	9.40
Wheat	5.99	4.89	3.89	4.60	4.60

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. Sources: USDA-FSA, USDA-NASS, USDA-WAOB and USDA-OCE.



Farm Program Outlook

Average PLC Payment Rates in Nebraska*

Commodity	Average PLC Payment Yield (bushels/acre)	Average PLC Payment Rates per Base Acre (\$/base acre)				
		2014	2015	2016	2017	2018
Corn	150	0.00	11.47	43.31	57.33	50.96
Grain Sorghum	77	0.00	41.95	76.04	52.44	42.61
Soybeans	45	0.00	0.00	0.00	0.00	0.00
Wheat	41	0.00	21.19	55.93	31.26	31.26

* 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*

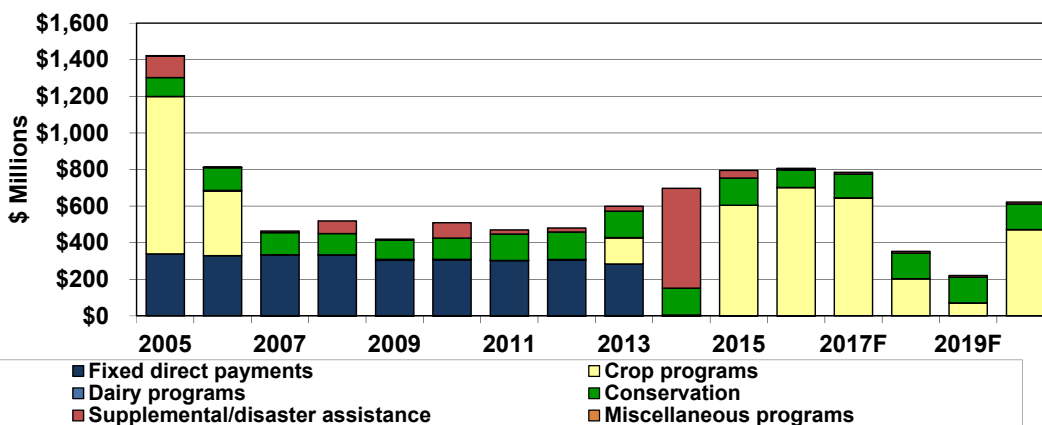
Commodity	County/Practice Combinations	Average ARC-CO Payment Rates per Base Acre (\$/base acre)				
		2014	2015	2016	2017	2018
Corn	131	53.31	52.36	52.89	5.66	0.00
Grain Sorghum	103	18.44	21.54	29.25	6.25	9.68
Soybeans	112	15.56	28.46	5.65	0.00	0.00
Wheat	113	9.28	24.24	8.29	11.31	10.15

* 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.





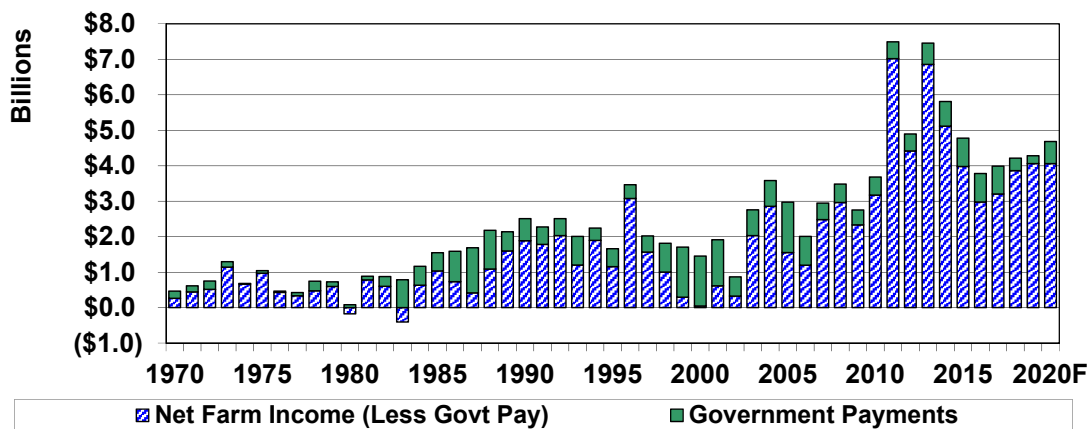
Nebraska Farm Program Payments



Sources: USDA-ERS and author calculations.

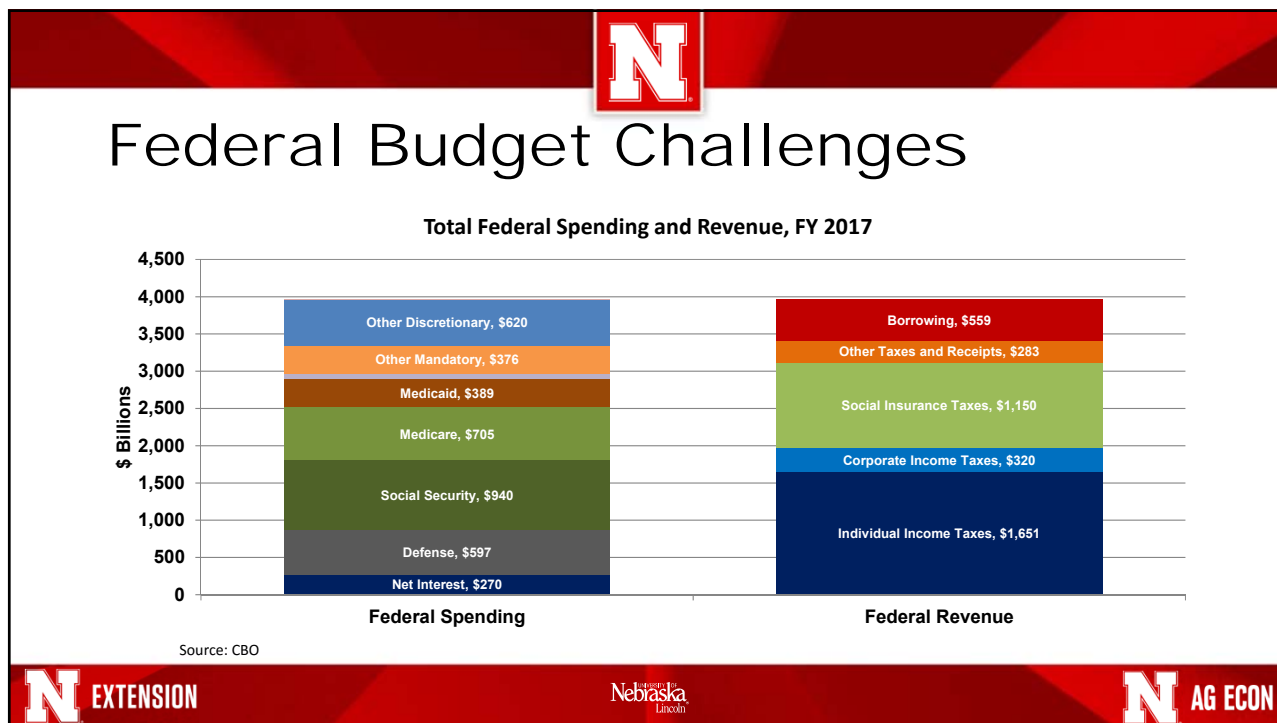
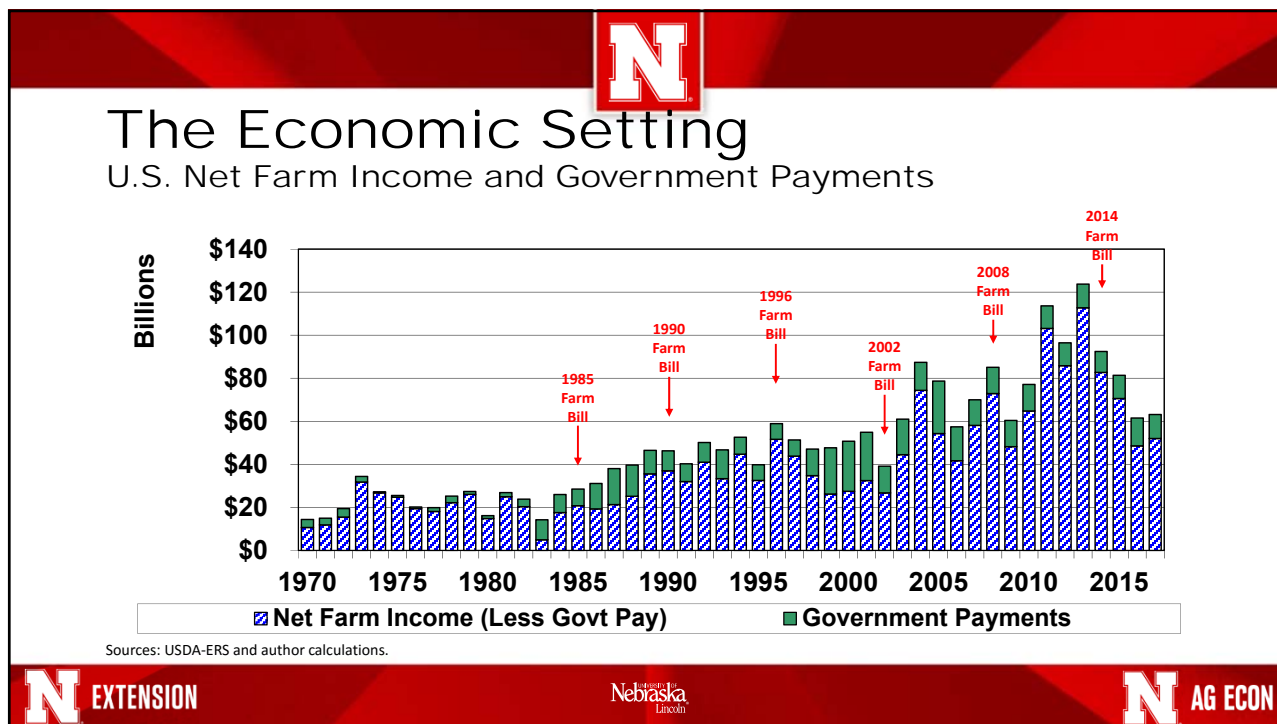


Nebraska Farm Income



Sources: USDA-ERS and author calculations.







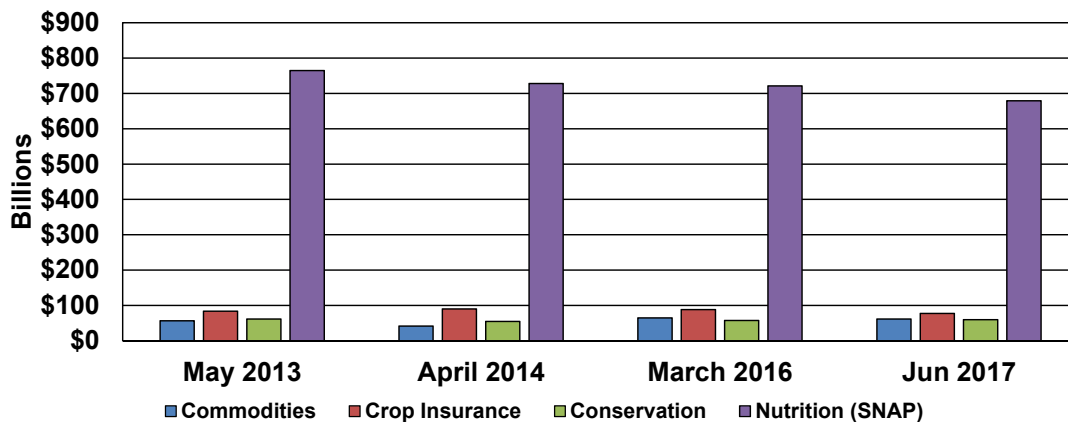
Farm Bill Budget Outlook

- 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



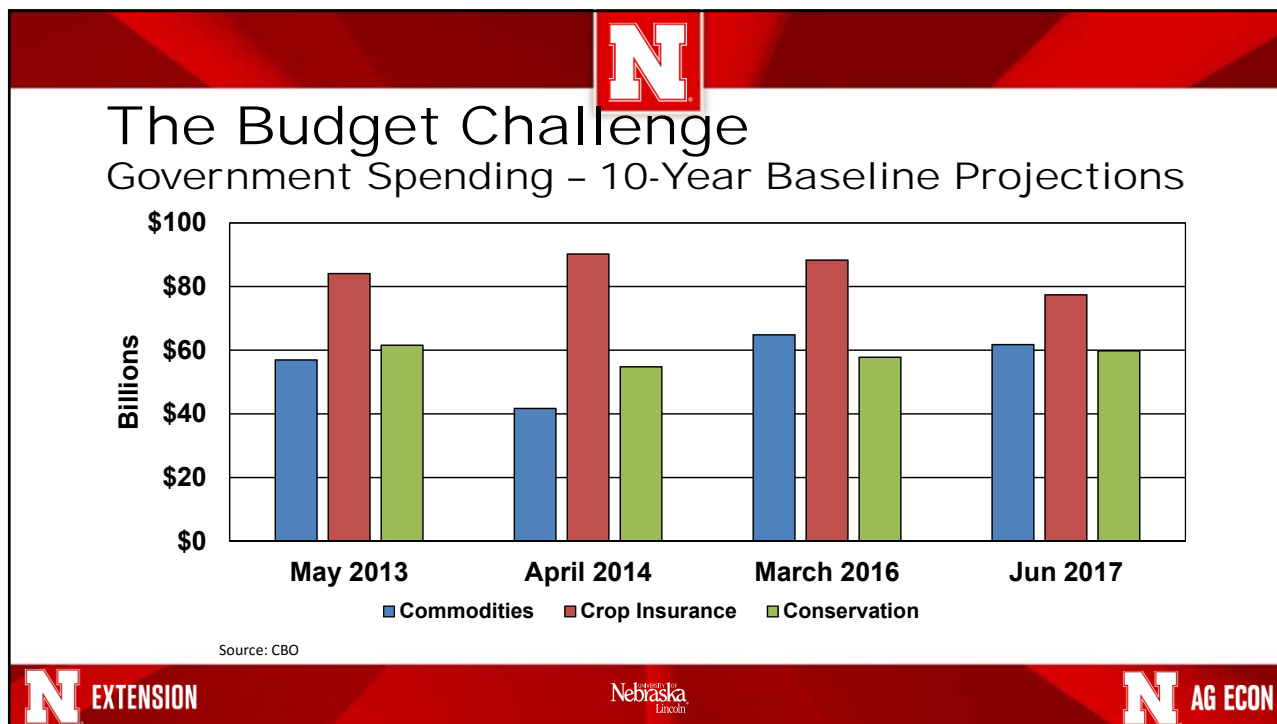
The Budget Challenge

Government Spending - 10-Year Baseline Projections

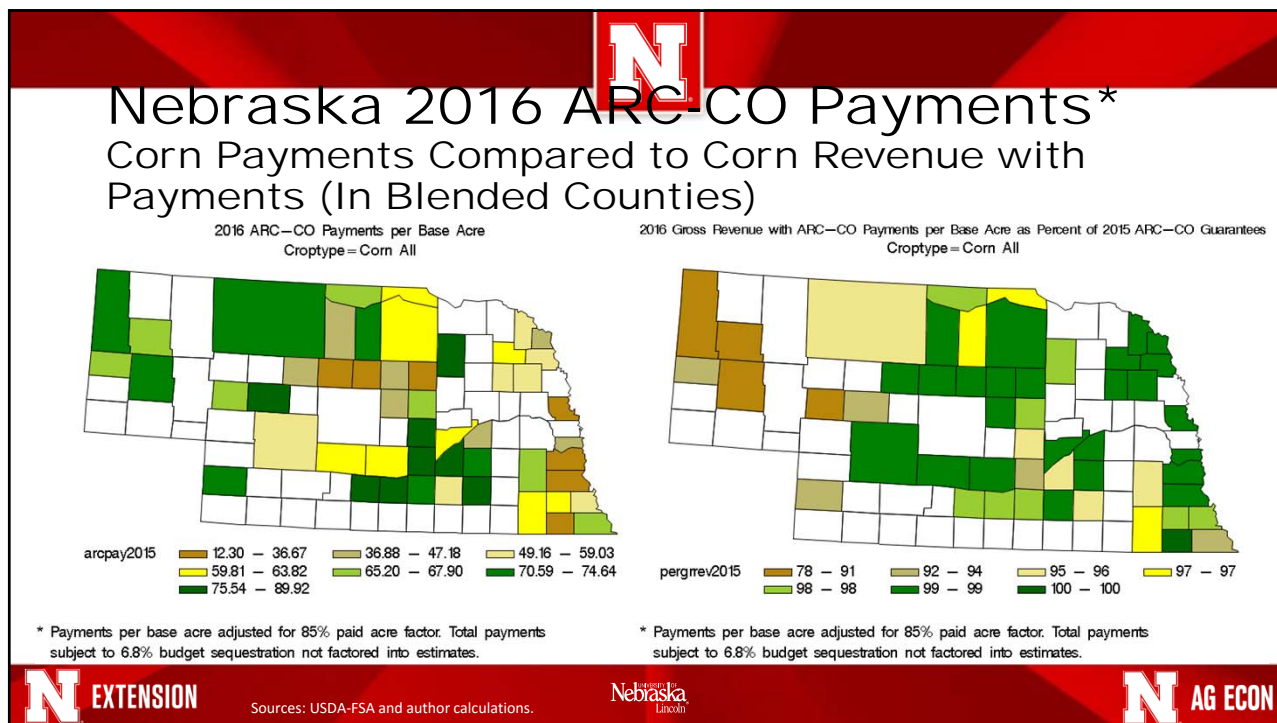
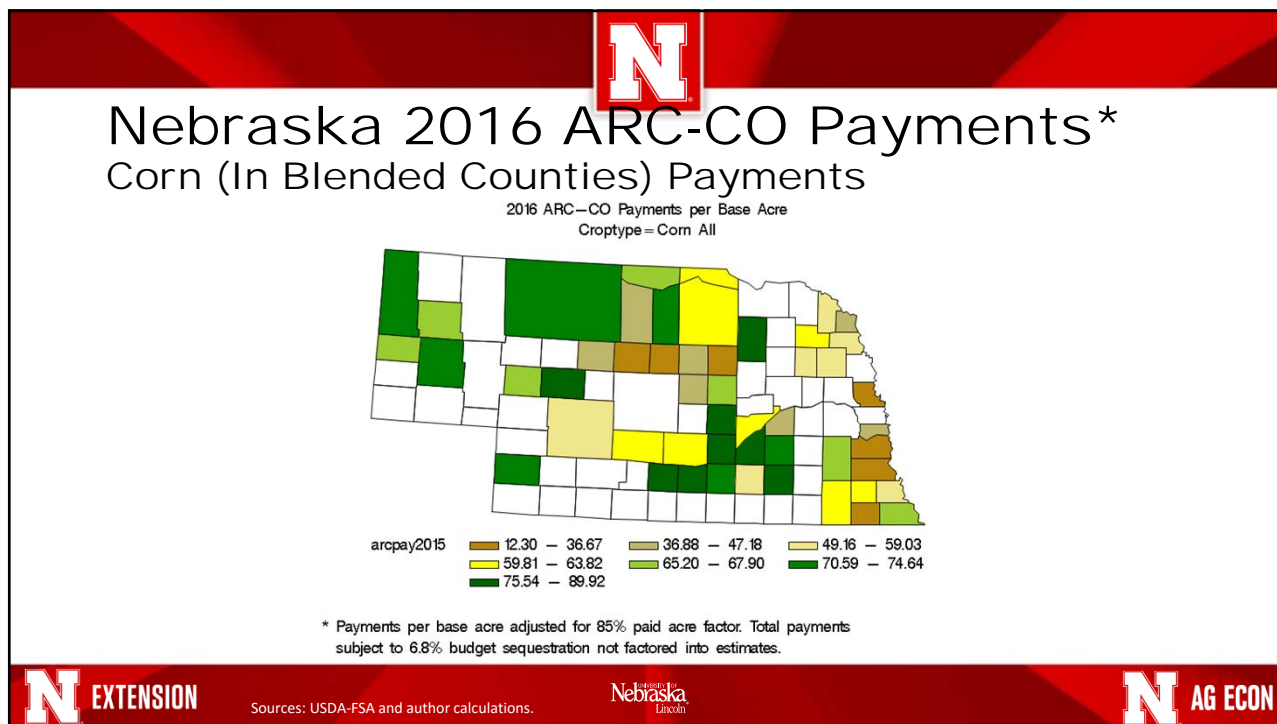


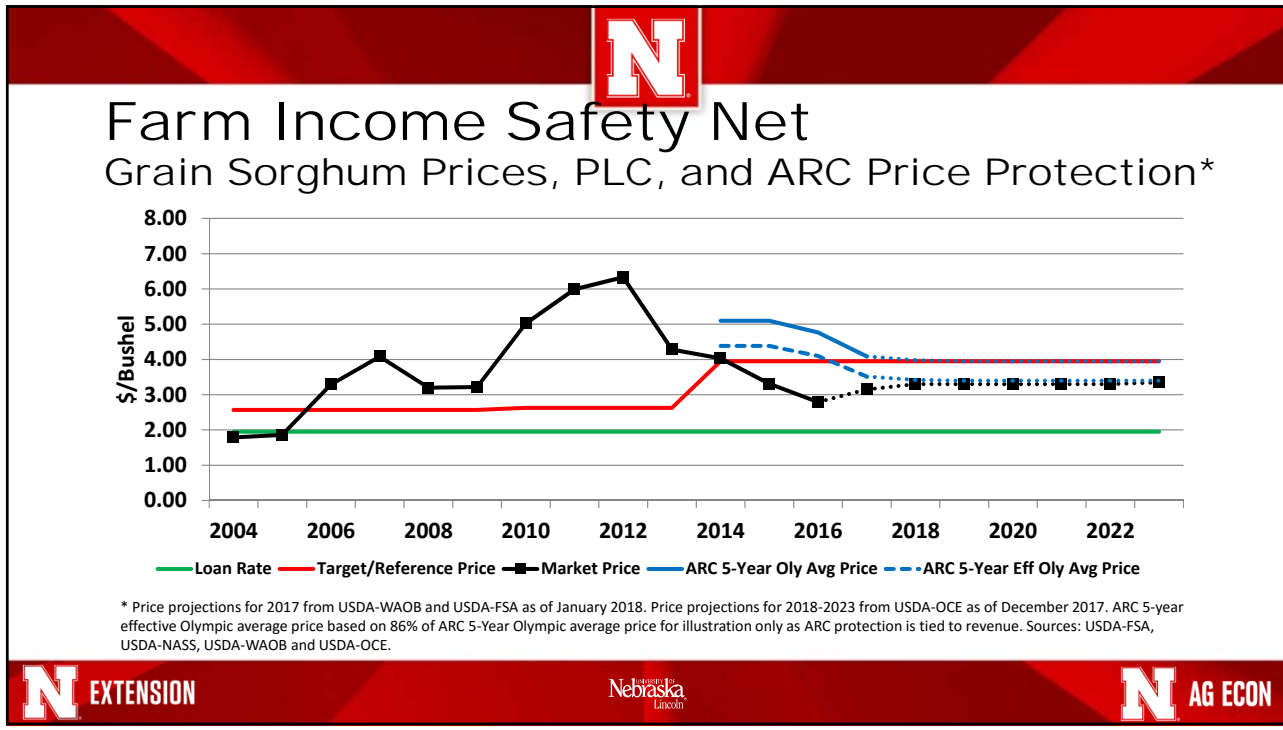
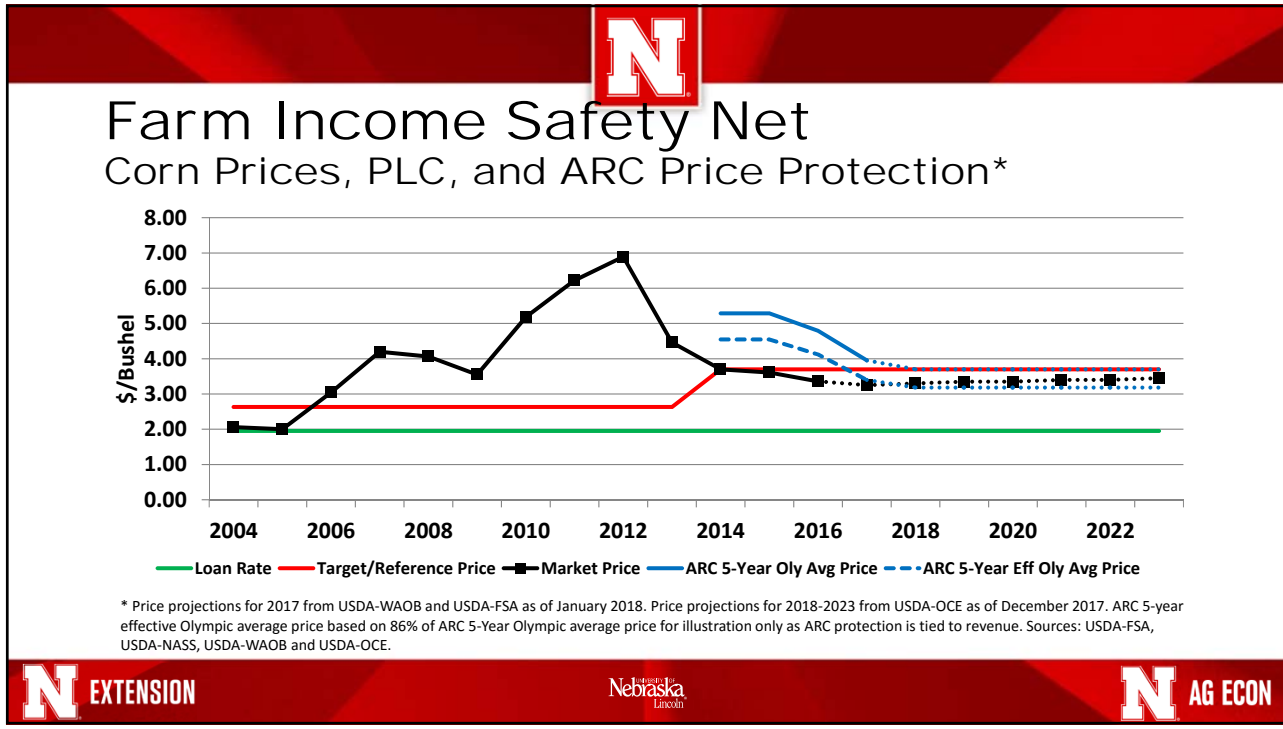
Source: CBO

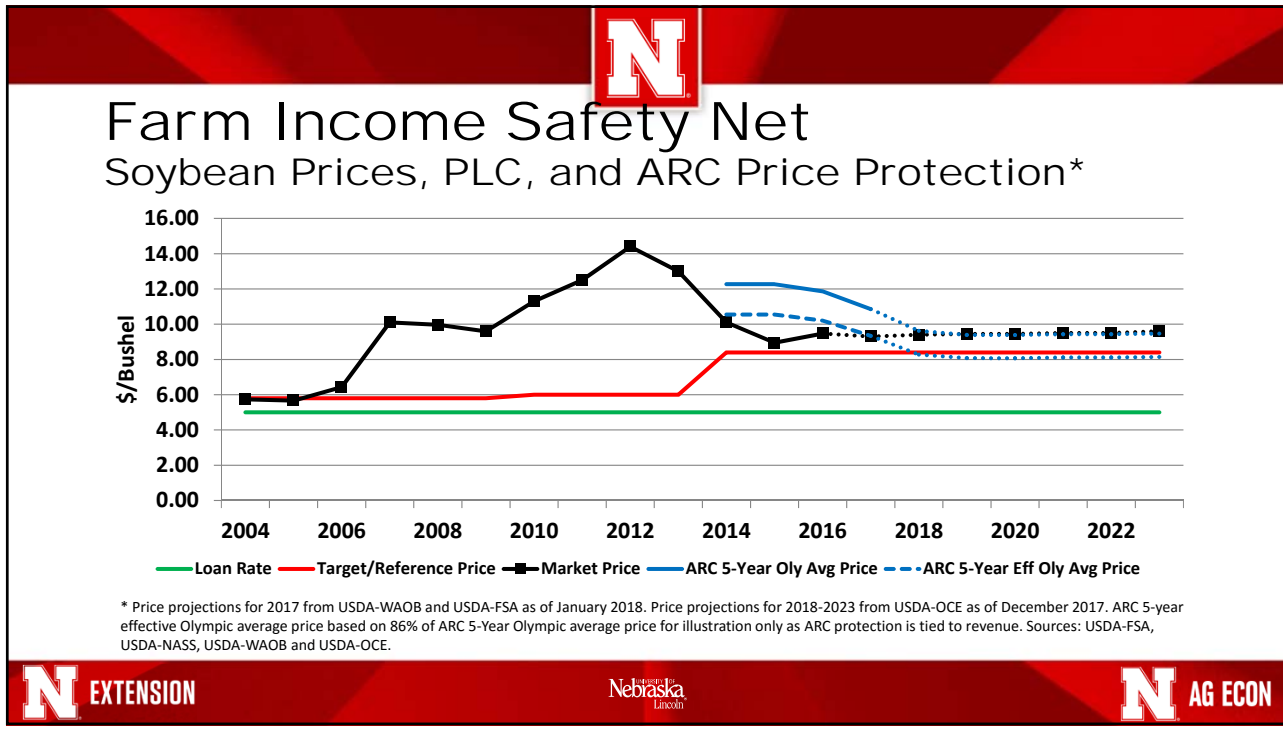
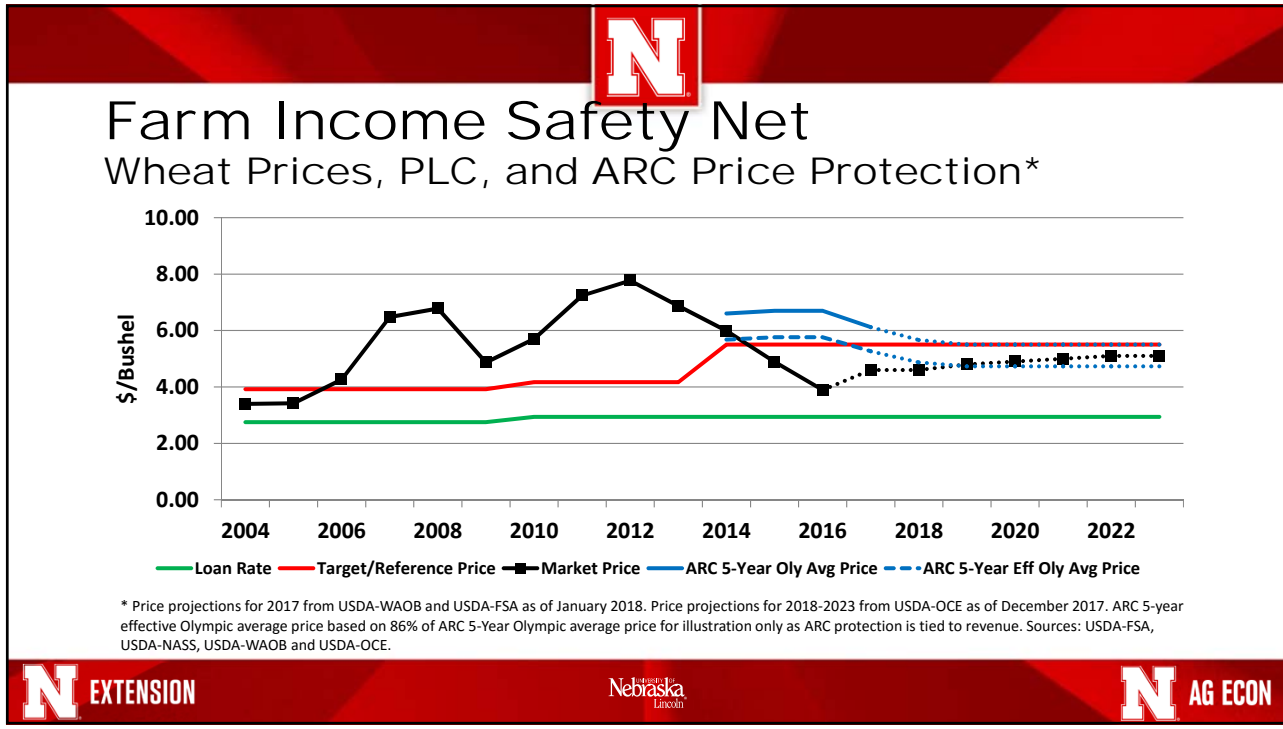


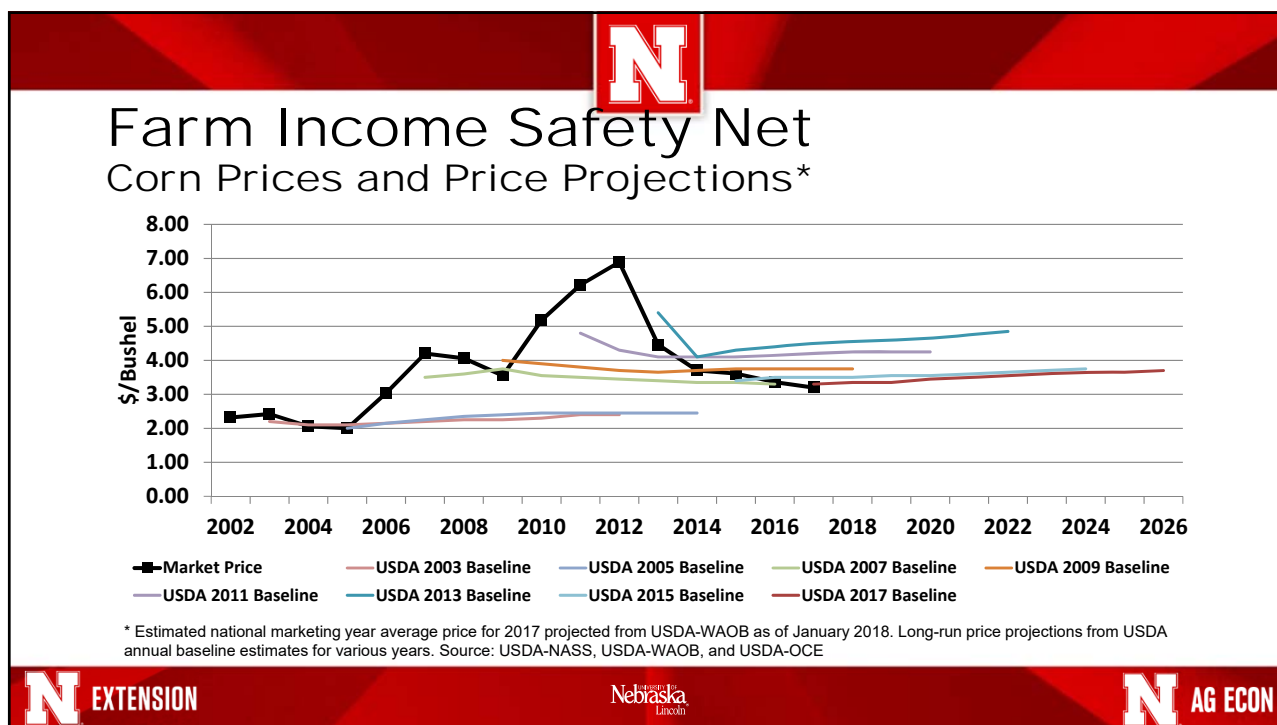
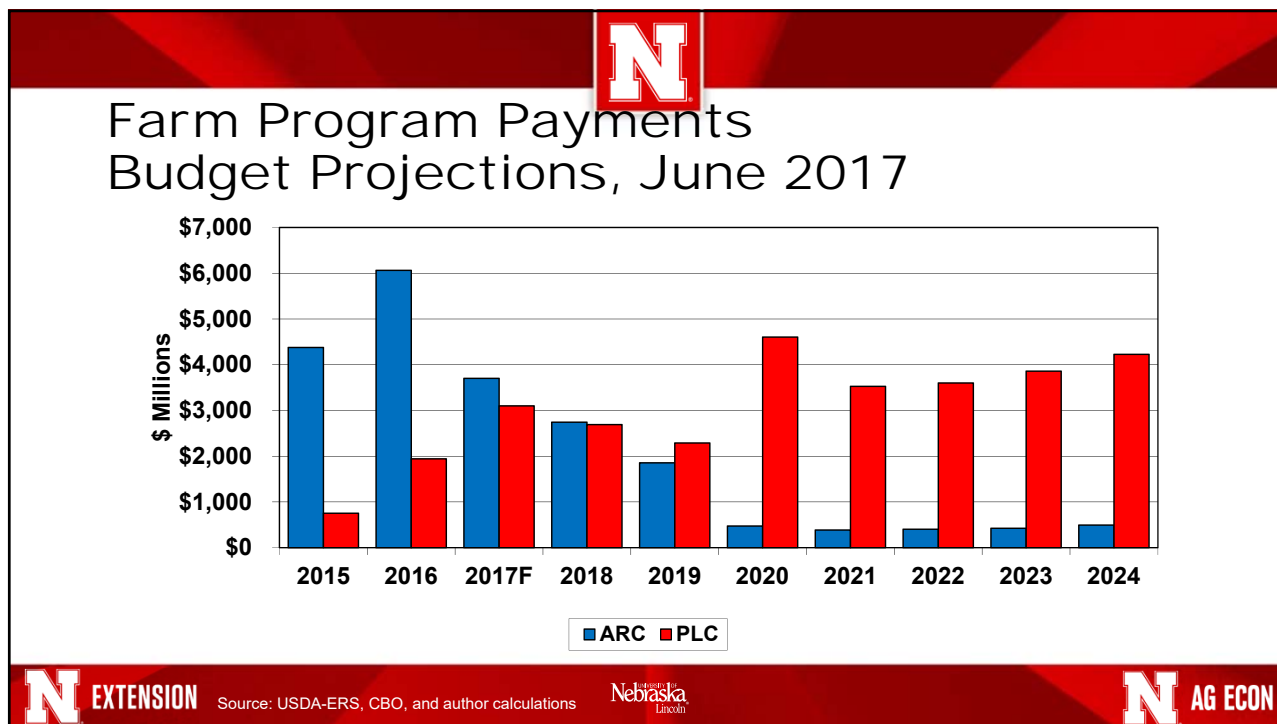


- ## Farm Bill Outlook
- Commodity programs
 - ARC yields - data and history
 - Reference prices
 - ARC v. PLC decision
 - Dairy and cotton
 - Crop insurance programs
 - Program features
 - Eligibility limits
 - Premium subsidy
 - Conservation
 - CRP enrollment cap
 - CRP rental rates
 - Nutrition (Supplemental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











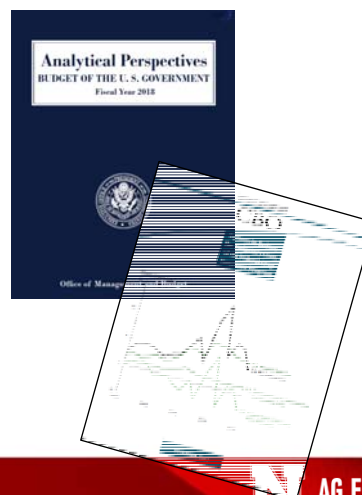
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Crop Insurance Proposals

- 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



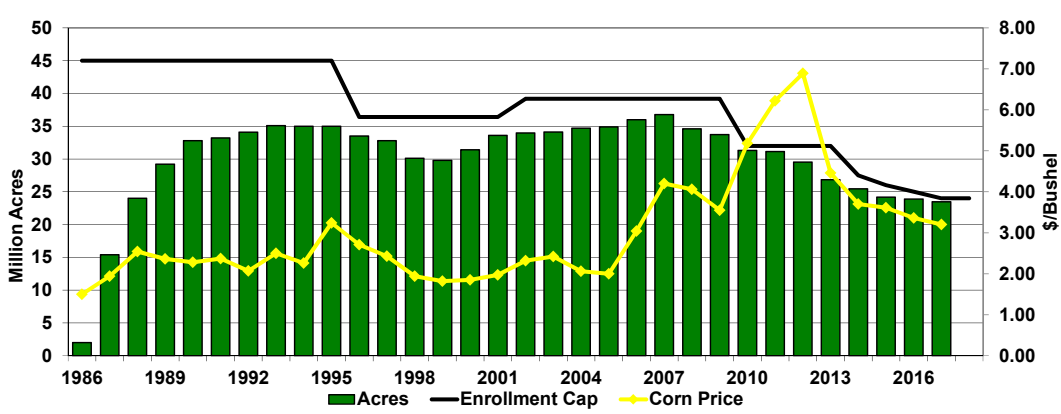


Farm Bill Outlook

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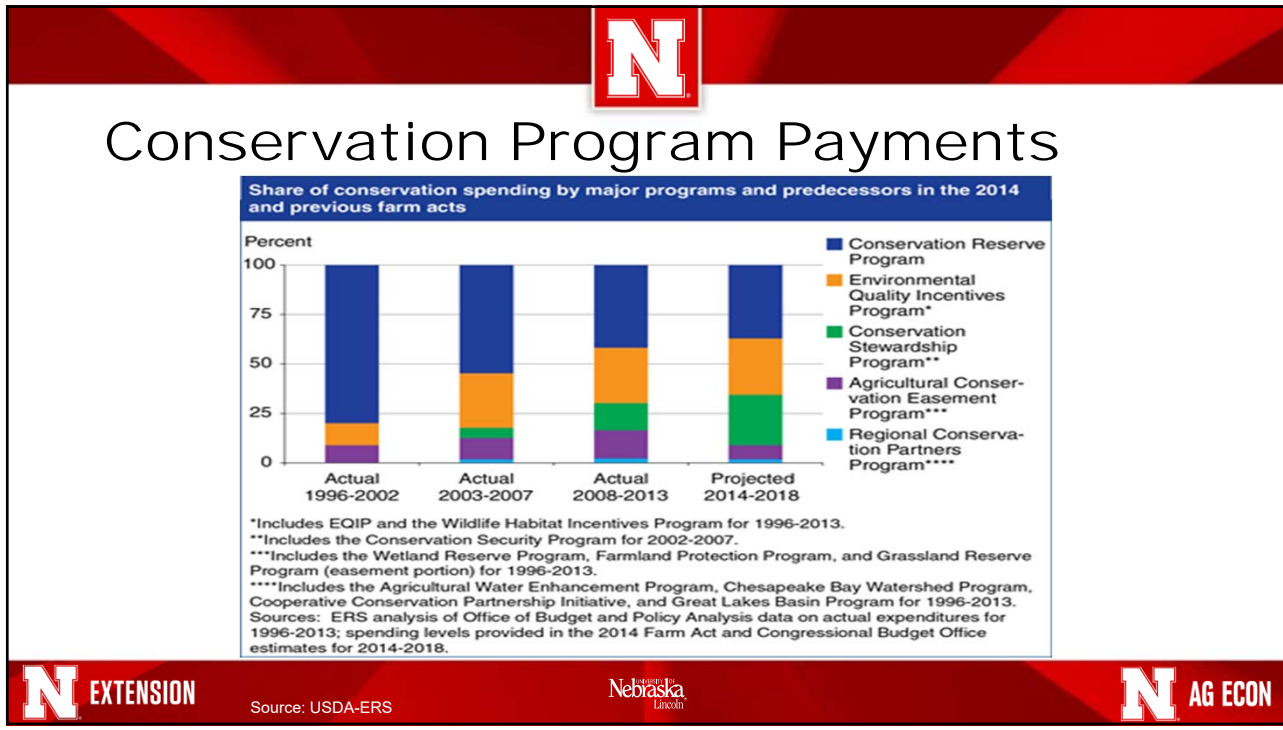
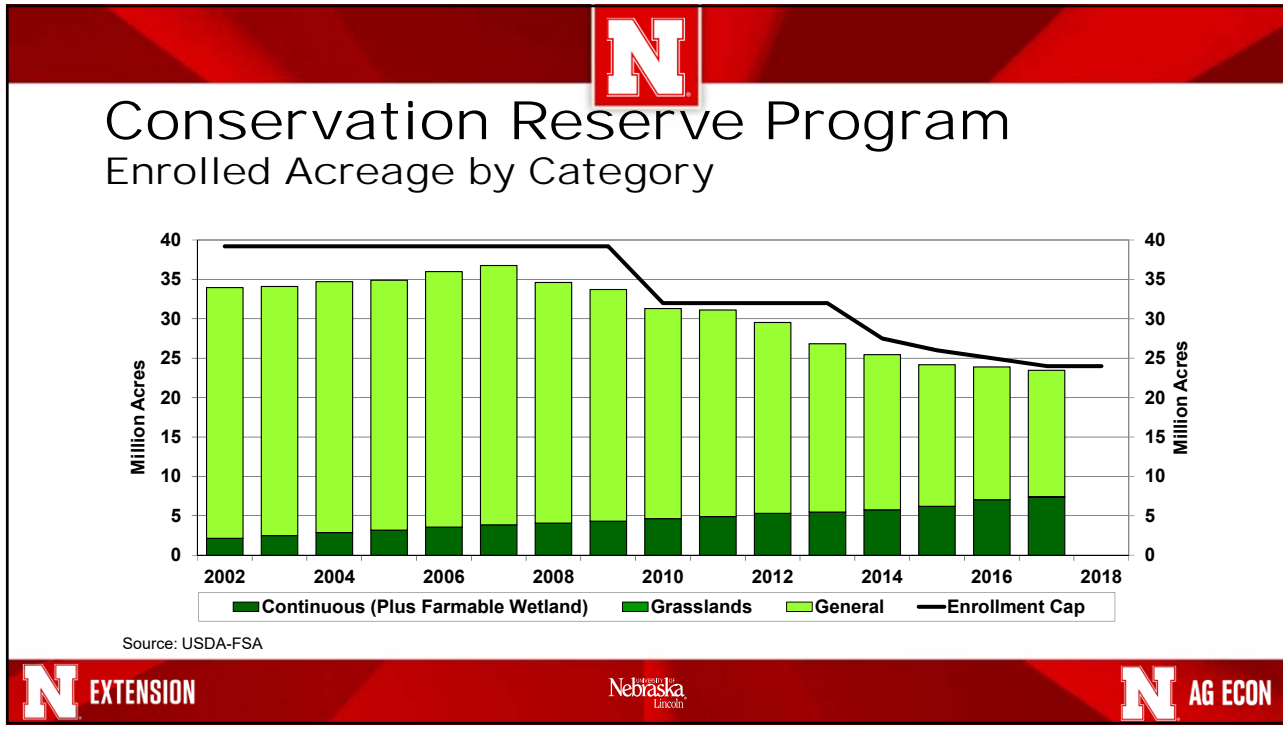


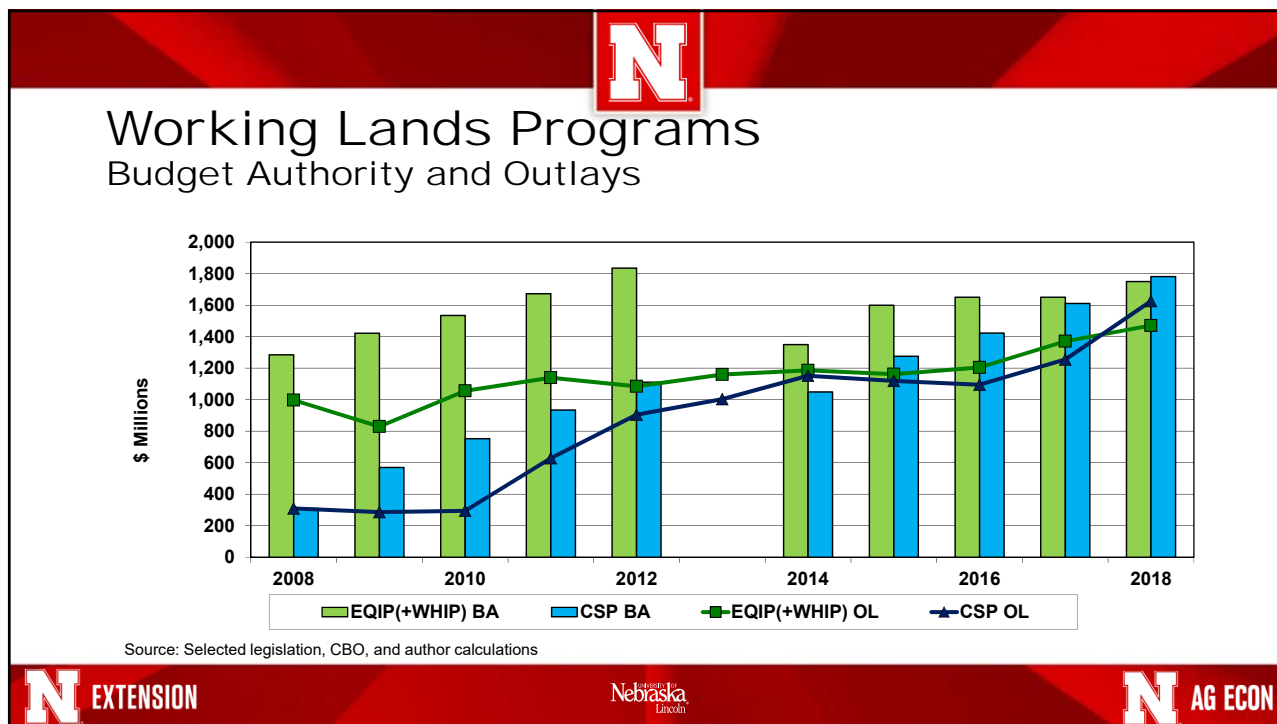
Conservation Reserve Program Enrolled Acreage and Corn Prices



Source: USDA-FSA and USDA-NASS








Beyond the Farm Bill

- Trade
- Regulations
- Taxes
- Spending/Entitlement Reform
- Energy
- Infrastructure
- Health Care
- Immigration Reform

- Societal Demands



N EXTENSION

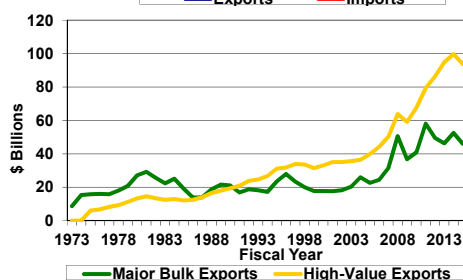
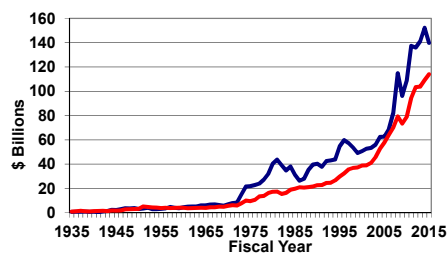
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Policy Outlook

- 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



Source: USDA-ERS



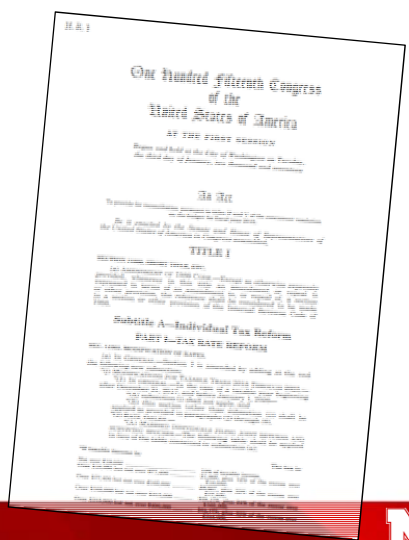
Policy Outlook

- Regulations
 - Environment – WOTUS, energy, air
 - Food – biotech, labeling, food safety



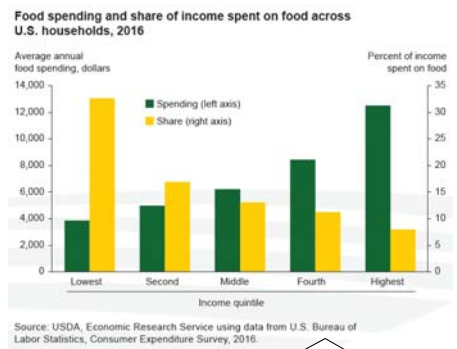
Policy Outlook

- 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



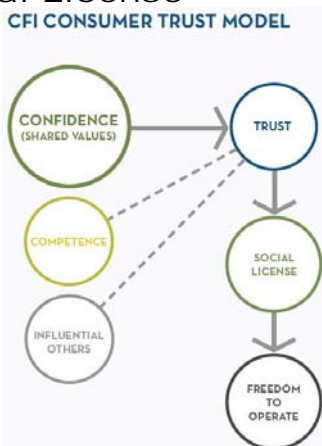
Source: USDA, Economic Research Service using data from U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 2016.

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