

# Farm Bill Discussion

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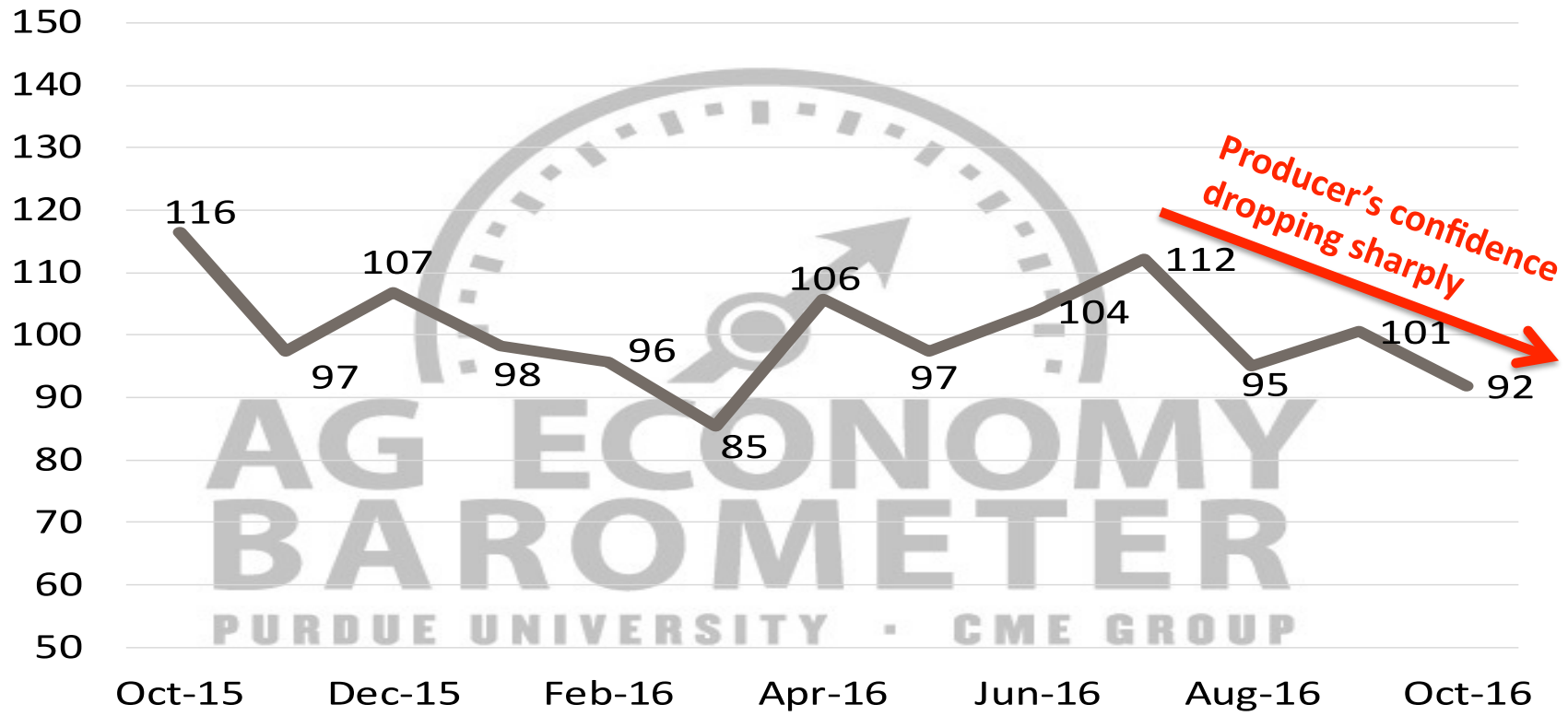
**David Widmar, Senior Research Associate**



Center for  
Commercial Agriculture

November 18, 2016

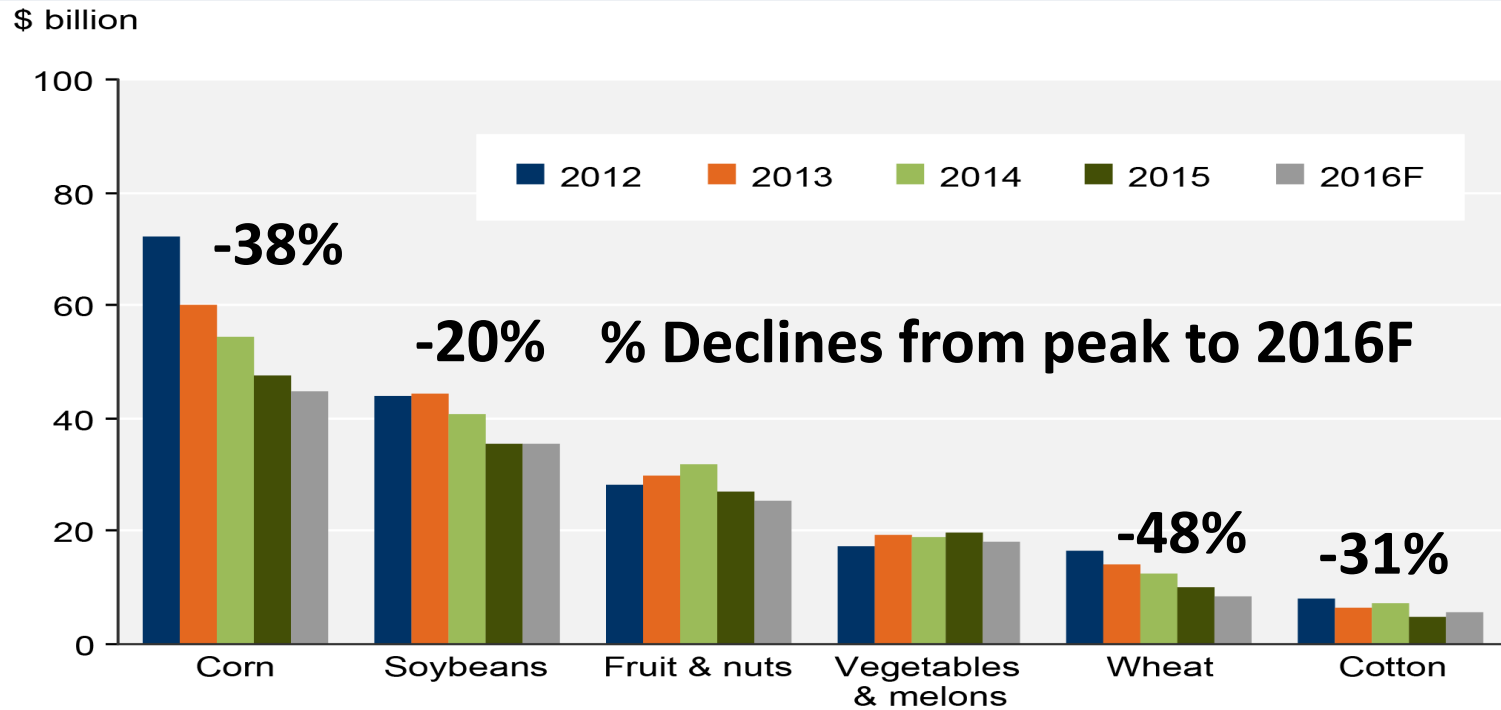
# Ag Economy Barometer



Most Recent Observation: Oct. 2016

Producer Survey

## U.S. cash receipts for selected crops, 2012-2016F



Note: F = forecast

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2016.

# 2014 Farm Bill

- Program choices made at
  - Individual farm level &
  - By crop
- 76% of total base acres enrolled in ARC-COUNTY
- 23% of total base acres enrolled in PLC

# 2014 Farm Bill

- Program provided transition & support assistance
- Prices in '09-'13 produced high benchmark revenues
- High benchmark revenues drove '14 & '15 payments
- But Olympic average formulas pull benchmark revenues down in '16 through '18

# Agricultural Risk Coverage (ARC) -County

- One-time irrevocable choice **by crop** for 2014-2018
- ARC-County payments occur when actual crop revenue is below the ARC revenue guarantee for a crop year
- ARC-County guarantee is 86% of county ARC benchmark revenue
- Coverage is capped at 10%...referred to as a “shallow loss” program
- ARC-County benchmark revenue based on Olympic averages (prev. 5 years)
  - county yields &
  - U.S. crop year average prices
- **Payment is made on 85% of base acres**

# Price Loss Coverage (PLC)

- 1) Payments occur if the higher of U.S. average marketing year price for the crop year or crop loan rate falls below the crop's reference price

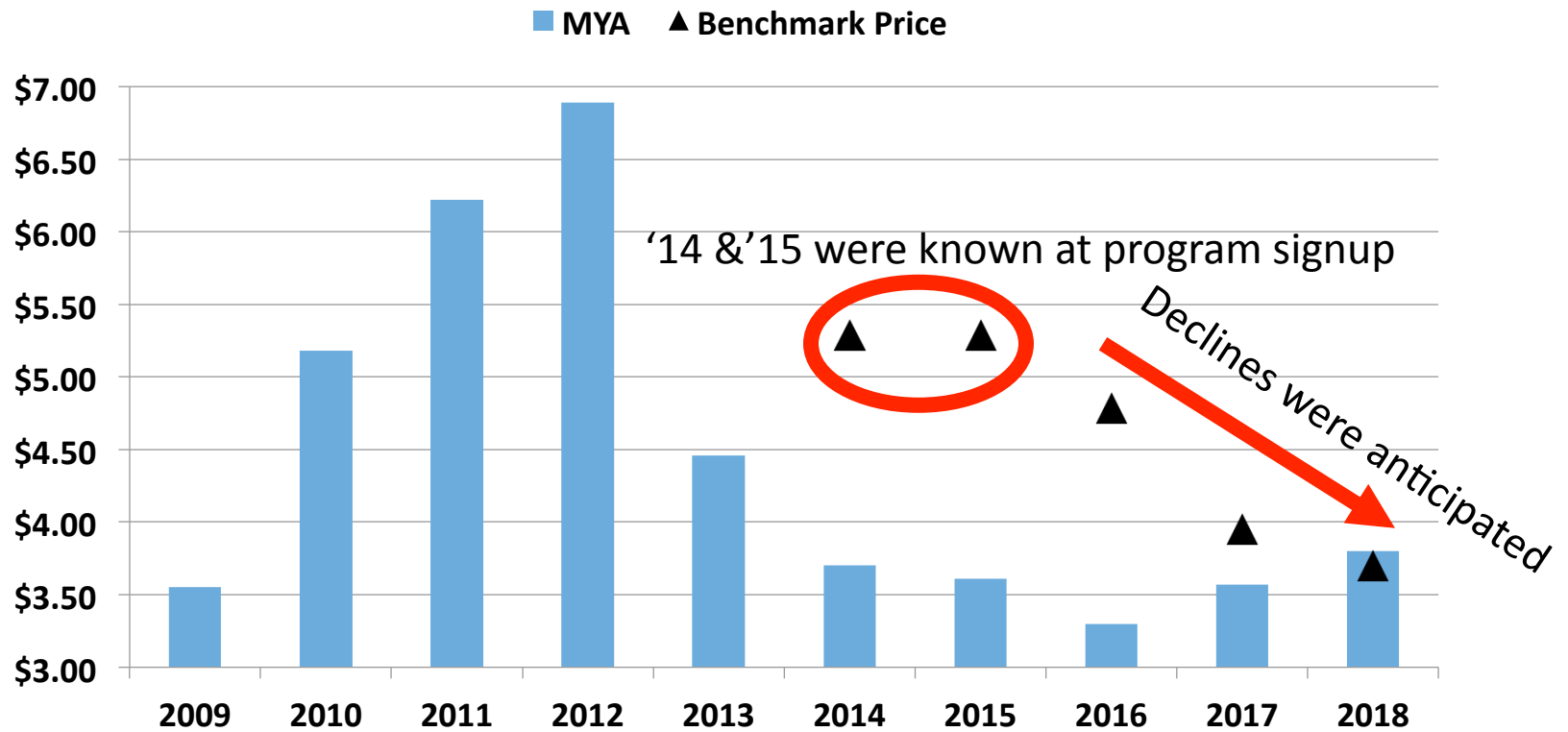
**Corn Reference Price = \$3.70**

**Soybean Reference Price = \$8.40**

**Wheat Reference Price = \$5.50**

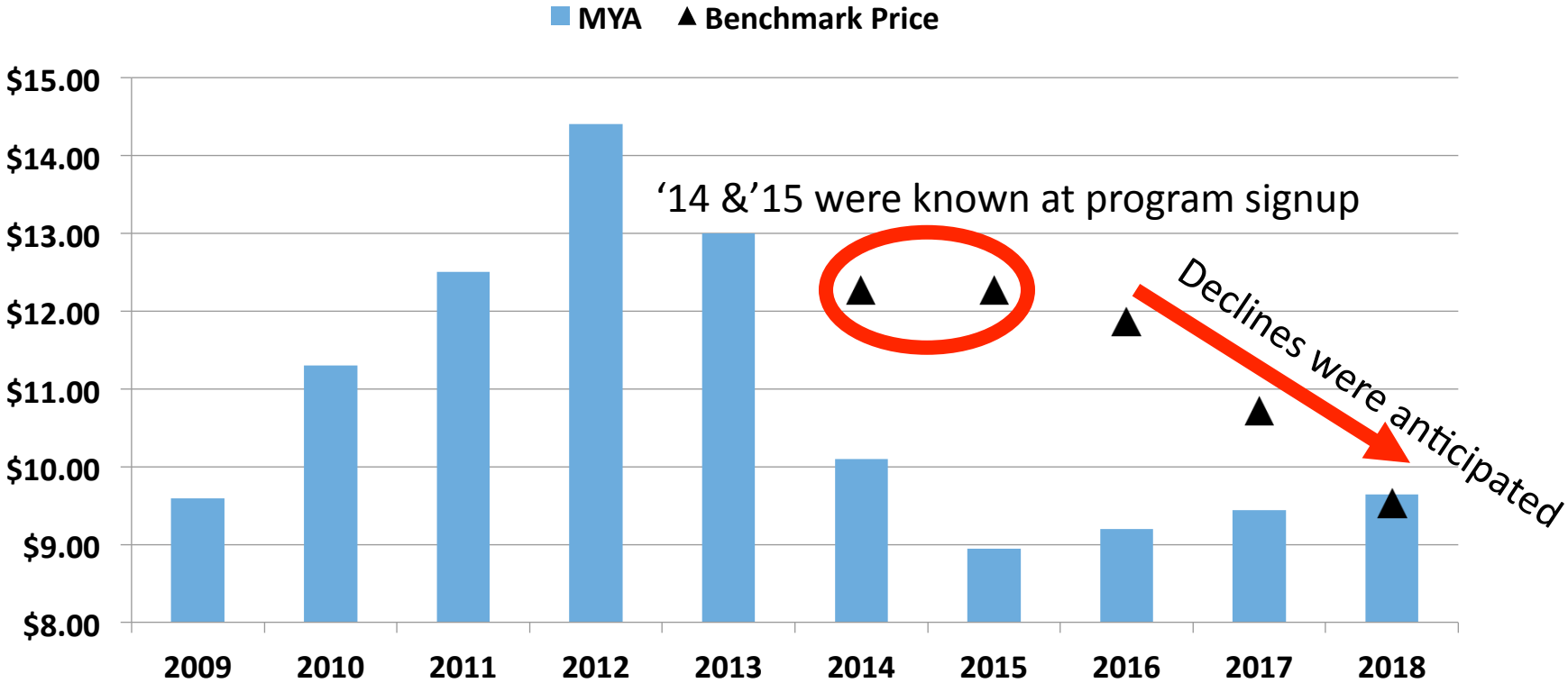
- 2) Payment is made on 85% of base acres regardless of actual plantings in a given year

## Corn Prices, Marketing Year Averages (MYA) and Benchmarks

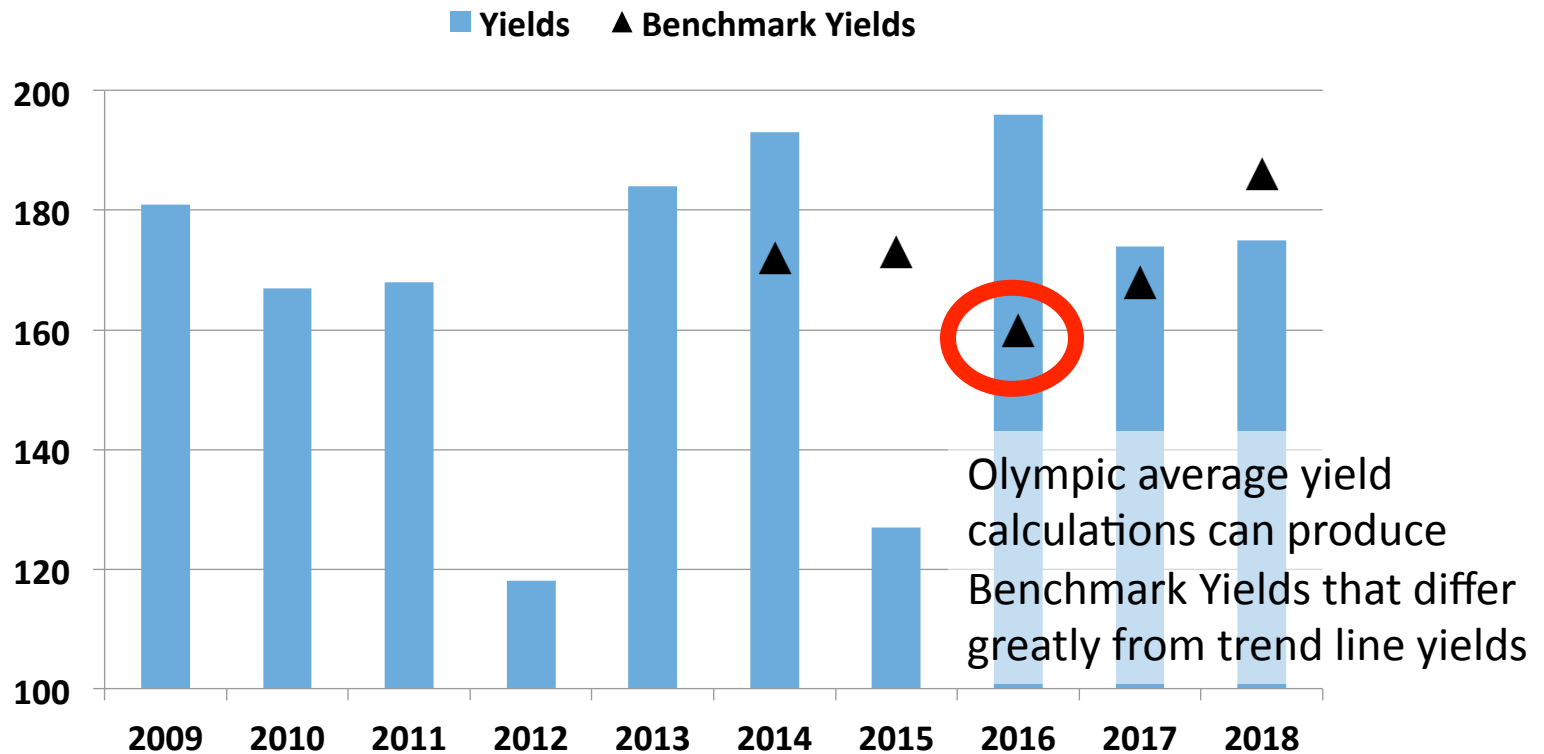




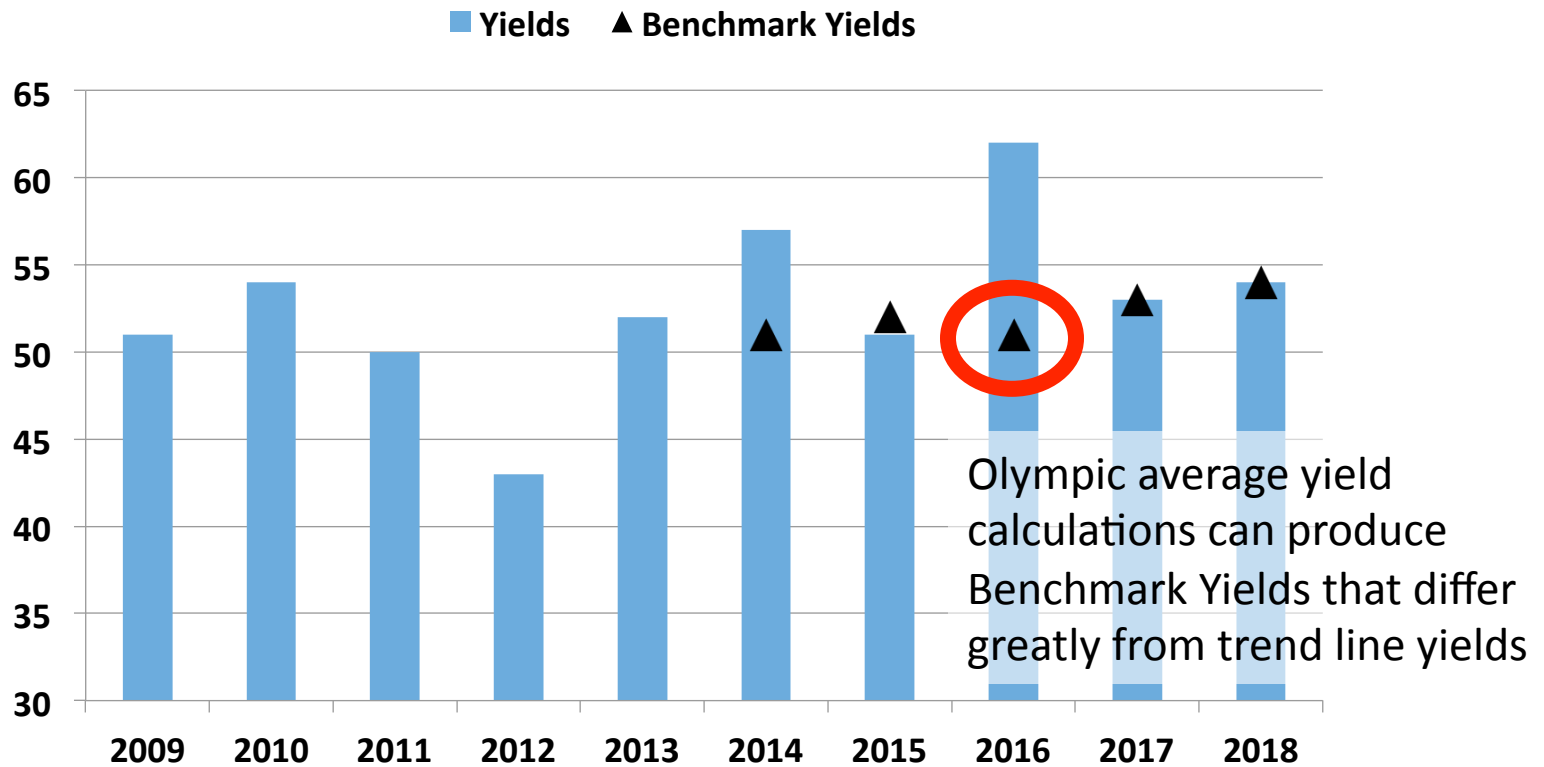
# Soybean Prices, Marketing Year Averages (MYA) and Benchmarks



## White County, IN Corn Yields



## White County, IN Soybean Yields



# Benchmark Revenues Declining

## White County, IN, Actual & Projected

### Corn

1)	2014	\$783
2)	2015	\$787
3)	2016	\$659
4)	2017	\$571 (-27%)
5)	2018	\$585

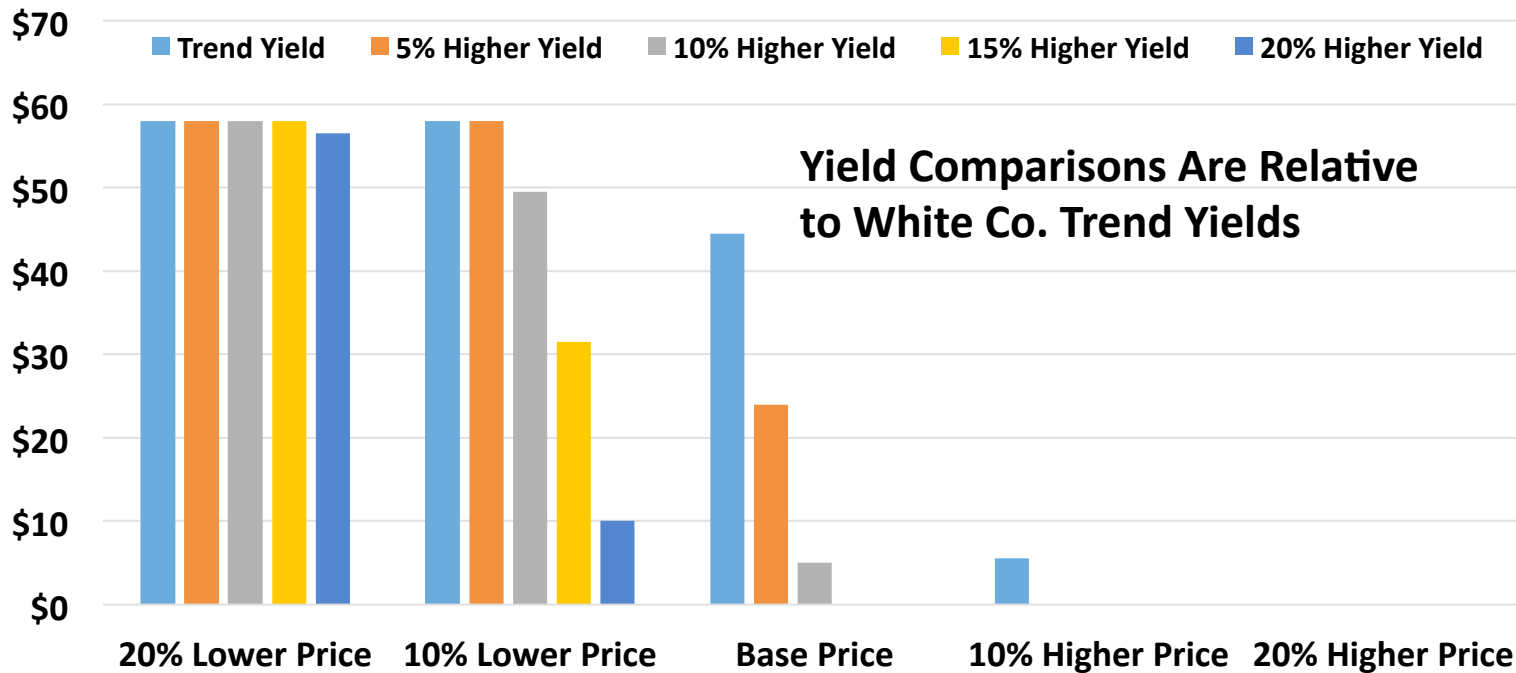
### Soybeans

1)	2014	\$538
2)	2015	\$549
3)	2016	\$521
4)	2017	\$491 (-9%)
5)	2018	\$445

## Base Price Scenario (2016-2018 Projected) White County, IN

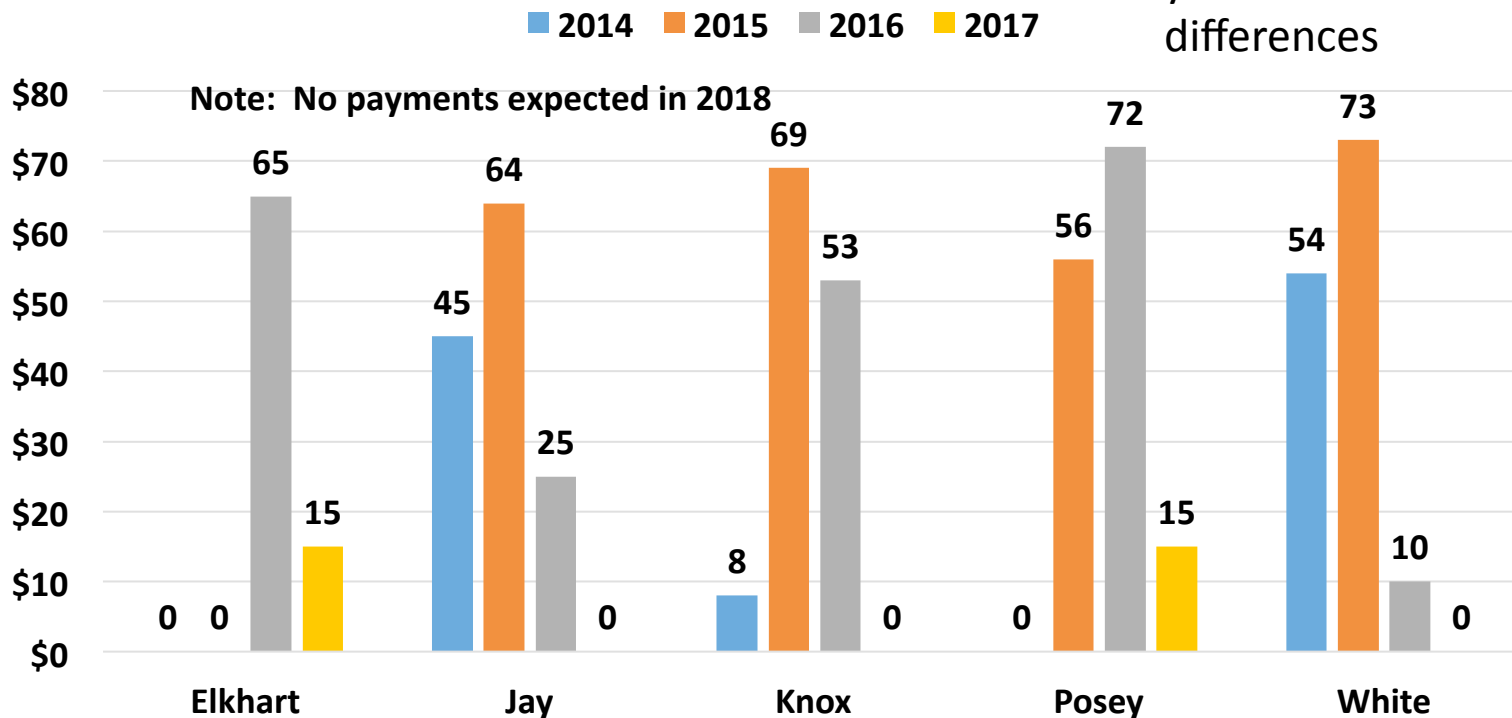
	2014	2015	2016	2017	2018
Corn Price	3.70	3.61	3.30	3.57	3.80
Soybean Price	10.10	8.95	9.20	9.44	9.64
ARC-CO Payment	27	66	5	0	0
Gross Revenue	672	523	614	571	604
Total Cost	757	751	692	677	666
Earnings	-85	-193	-78	-106	-63

## Sensitivity of ARC-CO Payments in 2016 to Price and Yield White County, IN 50/50 Corn-Soybean Rotation Example

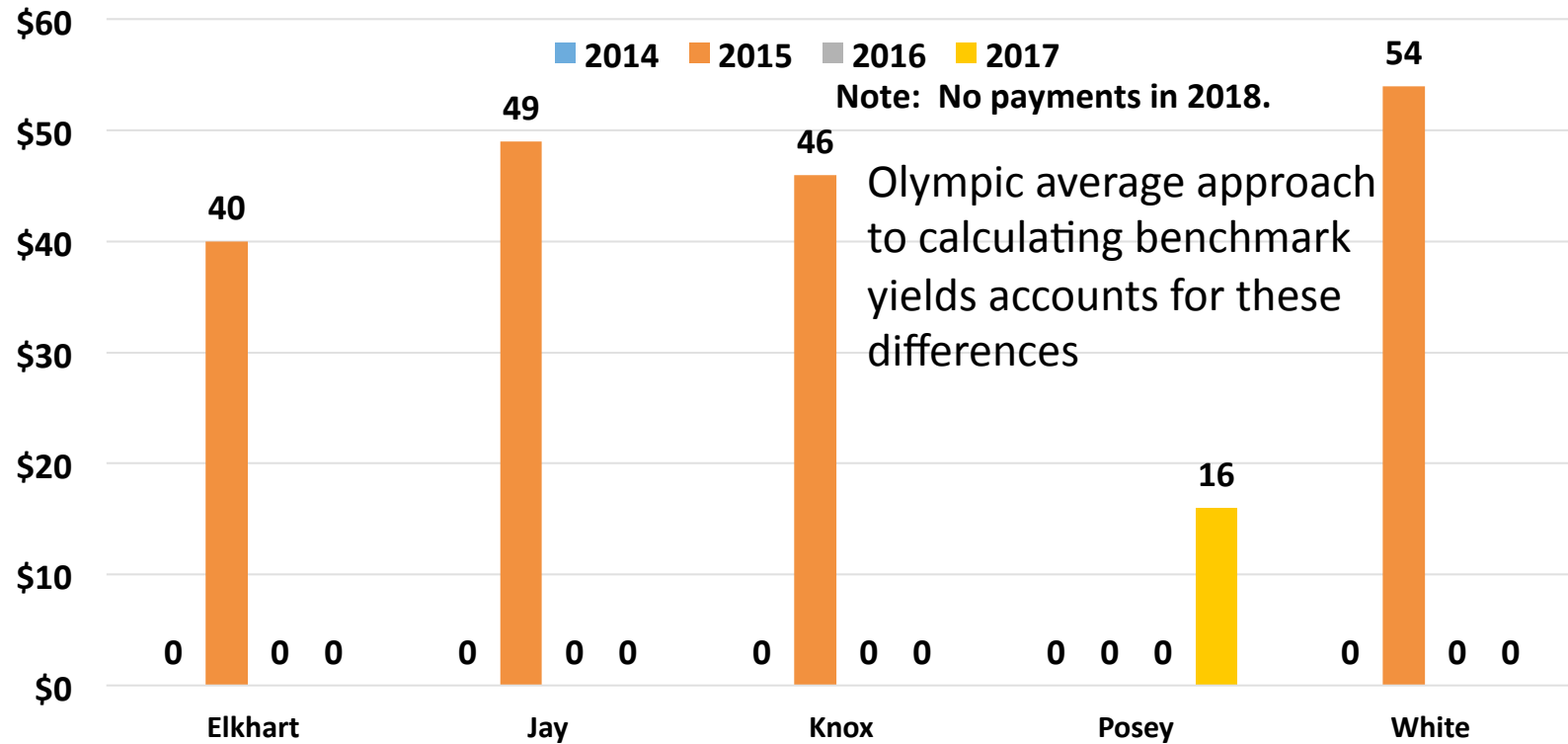


## Projected ARC County Payment for Corn per Acre Selected Counties in Indiana

Olympic average approach  
to calculating benchmark  
yields accounts for these  
differences



## Projected ARC County Payment for Soybeans per Acre Selected Counties in Indiana





# ARC-CO-PLC Spreadsheet

## U. of Illinois, farmdoc FAST Tools

Input			Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
Year	County	MYA Price <sup>1</sup>	Benchmark		ARC	ARC	Payment <sup>6</sup>
	Yield		Yield <sup>2</sup>	Price <sup>3</sup>	Guarantee <sup>4</sup>	Payment <sup>5</sup>	
2009	181	3.55					
2010	167	5.18					
2011	168	6.22					
2012	118	6.89					
2013	184	4.46				\$/acre	\$/acre
2014	193	3.70	172	5.29	783	54.19	0
2015	127	3.61	173	5.29	787	72.50	10
2016	196	3.30	160	4.79	659	10.46	46
2017	174	3.57	168	3.95	571	0.00	15
2018	175	3.80	184	3.70	585	0.00	0
<b>Five-Year Average</b>						<b>27.43</b>	<b>14</b>
National loan rate equals: 1.95				Reference price equals: 3.70			

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**December 9<sup>th</sup> ...*2017 Ag Business Climate***

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