Good Morning & Welcome to the Conference
CAPTS mission is to enhance (innovative and productive) and reduce risk (via farm policy) of net farm income through in-depth “agricultural policy” and “trade studies” for producers, ranchers, and decision makers in private and public sectors in the Northern Plains region.
Thank you note

1) Conference Planning Committee which included Staffers from our State Senators & Representative

Dr. Saleem Shaik
Center for Agricultural Policy and Trade Studies
Thank you note

2) Sponsors (ND Corn Growers, ND Farmer Union and Crystal Sugar) who made this possible
Presentation Outline

Farm Policy (Titles)

- Farm Bills
- Farm programs (Title I)
- Crop insurance (Title XI)
- Conservation (Title II)
- Trade (Title III)
Farm Policy and Trade: 
Historical Farm Bills

• A farm bill refers to a multi-year, multi-commodity federal support law in the form of farm programs for farm products.

• Since the introduction of New Deal legislation in 1933, there are two permanent laws - the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 that provide some standing authority for these farm programs.

FARM POLICY AND HISTORICAL (15) FARM BILLS

- FB 1 (1938 - 1947) Agricultural Adjustment Act of 1938 (P.L. 75-430)
- FB 16 (???? - ????) Can we get a farm bill that we want?????
Farm Policy and 15 Farm Bills

Consumer – 1 time

Farm Policy and Historical (15) Farm Bills
Conservation – 2 times

• FB 1 (1938 – 1947) Agricultural Adjustment Act of 1938 (P.L. 75-430)
Farm Policy and Historical (15) Farm Bills
Food – 4 times

• FB 1 (1938 – 1947) Agricultural Adjustment Act of 1938 (P.L. 75-430)
Farm Policy and Historical (15) Farm Bills

• FB 1 (1938 – 1947) Agricultural Adjustment Act of 1938 (P.L. 75-430)
I. TITLES OF EACH FARM BILL

- **Title I** Commodity
- **Title II** Conservation
- **Title III** Trade
- **Title IV** Nutrition
- **Title V** Credit
- **Title VI** Rural Development
- **Title VII** Research
- **Title VIII** Forestry
- **Title IX** Energy
- **Title X** Horticulture
- **Title XI** Crop Insurance
- **Title XII** Miscellaneous
## CBO Outlays, 2018 to 2027 by Titles of a Farm Bill

**Millions of Dollars**

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<tr>
<th>Farm Bill Title(s)</th>
<th>FY2018</th>
<th>FY2019</th>
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<th>FY2021</th>
<th>FY2022</th>
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CBO outlays, 2018 to 2027 by Titles of the Farm Bill

Dr. Saleem Shaik
Center for Agricultural Policy and Trade Studies
Take Home:

Farm Policy & Titles

- Emphasis of Farm Bill - Top 4 programs
- Crop insurance
- Commodity programs
- Conservation
- Trade
Four Sessions

1) Farm Policy and What to Expect in 2018 Farm Bill
2) Title I and XI: Commodities & Crop Insurance
   Luncheon & Luncheon Speaker
3) Title II and III: Conservation and Trade
4) U.S. Agricultural Policy Issues: Past, Present and Emerging Rural and Farm Policy Issues
First Session

• Farm Policy and What to Expect in 2018 Farm Bill
  • What worked in the 2014 farm bill
  • What could be changed/modified, and
  • Is there a need for a new farm policy

• Moderator: Roger Johnson, President, National Farmers Union

Panel:

• The Honorable John Hoeven, U.S. Senator – 5-minute video
  • Tom Brusegaard, Regional Director / State Ag Specialist, Senator Hoeven’s Office—20-minute panel discussion

• The Honorable Heidi Heitkamp, U.S. Senator—5-minute video
  • Justin Hanson, Field Representative, Senator Heidi Heitkamp’s Office—20-minute panel discussion Introduced by Ken Grafton, NDSU

Dr. Saleem Shaik                  Center for Agricultural Policy and Trade Studies
• **Title I and XI: Commodities & Crop Insurance**
  • Farm policies and programs authorized in Titles I and XI account for more than 50 percent of the U.S. farm programs and are used by producers as risk management tools. The 2014 farm bill initiated price loss coverage (PLC) and agriculture risk coverage (ARC), and eliminated direct payments, the counter-cyclical program, and average crop revenue programs. The 2014 farm bill did not change the objective and structure of the U.S. sugar program. The discussion will identify current issues, possible program changes or modifications, and whether there is a need for new programs.

• **Moderator:** *Dan Wogsland*, Director, North Dakota Grain Growers Association

• **Panel:**
  • Starving our Farmers—*Mark Watne*, President, North Dakota Farmers Union
  • ARC and PLC—What Works; What Doesn’t; Changes from a Corn Growers Perspective—*Dale Ihry*, Executive Director, North Dakota Corn Growers Association and Corn Utilization Council
  • U.S. Sugar Policy: Why we have it and how it is working—*Jack Roney*, Director of Economics and Policy Analysis, American Sugar Alliance
  • ASA’s *Priorities for the 2018 Farm Bill*—*Beverly Paul*, Assist. Director, Washington Representative, American Soybean Association
The Value of Food

Mark Watne
North Dakota Farmers Union President
Paradigm Shift
Next to Air and Water; Food is Essential

• Catch 22
• Limited or no chance to pass on expenses
• Lower cost commodities do not encourage consumers to add another meal or does it help get food to the poor
• Family Farmers already have became efficient
  – In 1952 farm received $.47 on every food dollar
  – Today only receive $.17 on every food dollar
Consumers Wins? Loses?

• Debatable in the Short-term (10% of disposable income spent on food in the U.S.)
• Long-term probably not
  – Consolidation will eventually lead to concentration that will eventually have to match cost of production and profit with price.
  – Large movements in commodity prices drive food costs up and they slowly or never retreat
Farm Programs

- ARC
- PLC
- Crop Insurance
- Budget restraints
- Declining support levels when commodity prices fall
2014 Farm Bill Spending

Projected 10-Year Farm Bill Spending (FY 2018 – FY 2027)

- Nutrition (SNAP): 77%
- Crop Insurance: 9%
- Conservation: 7%
- Commodity: 7%
- Other: 1%

Source: Congressional Budget Office - CBO
Figure 1. Real Price as a Percent of 1998-2005 Average Real Price using GDP deflator, U.S., 1966-2016 Crop Years

corn
soybeans
wheat
upland cotton
Total Net Farm Income
United States, 2006-2016

Net Farm Income excludes income tax and principal payments on capital.
Total Farm Production Expenses
United States, 2006-2016

Data Source: USDA, Economic Research Service, Farm Income and Wealth Statistics (2015 and 2016 are forecasted)
Family Farmers do this for free

- Produce high quality and abundance of food
- Land and water stewardship and conservation
- Education of next generation of farmers
- Generate new wealth
- Adopt technology
- Provide food security and renewable energy which is a world issue
Conversation change

• Reinforce the value of food and abundant supply
• Write farm program to ensure the system we have is maintained based on current success
• Budget cuts to Agriculture have already happened.
• .28 percent of the federal budget is not to much to ask to maintain food security in the greatest food producing country in the world
2018 Farm Bill – ND Corn

2014 Farm Bill – Commodity Title 1

- What worked well?
- What are some issues that remain?
- What changes should occur in the 2018 Farm Bill?
ND Corn Growth - 1992 vs 2016

Acreage and production has grown in 25 years in ND.

• **1992 Crop Year:**
  - 3,350 corn farmers
  - 600,000 acres
  - 37 million bushels (62 bu/acre)

• **2016 Crop Year:**
  - 6,650 corn farmers
  - 3.3 million acres
  - 517 million bushels (158 bu/acre)

Note: Both production of 517 M bu’s and yield of 158 bu/acre are records. (Previous record yield was 132 bu/acre in 2010).
2016 North Dakota Corn Acres

Acres Harvested - 3.2 million total

- Yellow: Less than 10,000
- Light Green: 10,001 – 30,000
- Orange: 30,001 – 60,000
- Deep Green: 60,001 – 100,000
- Brown: 100,001 – 200,000
- Dark Green: 200,001 – 295,000
Value of North Dakota Corn

- **2016 Crop Year**
  - $1.46 Billion value of corn production in North Dakota (estimate)
  - 3.2 million acres harvested (NASS)
  - 158 bu/acre yields (NASS State Yield)
  - $2.80/bu (estimate)

- **2015 Ethanol Production**
  - 51% of ND corn in 2015 (156 million bushels)
  - 465 million gallons of Ethanol produced in ND.
  - 1.3 million tons of dried distillers grain (ddgs)
  - 5 Ethanol Plants
2014 Farm Bill – ND Corn

2014 Farm Bill – Title 1 ARC/PLC – Major Changes:

• Eliminated Direct payments.
  – $4.0 billion in US annual payments; $200 million in ND;

• Allowed updates to Bases and Yields

• Offered election of 3 programs – PLC, ARC-CO and ARC-IC.
  – crop by crop and farm by farm decision.

• Required a program election with a LOCK of 5 years.
2014 Farm Bill – ND Corn

2014 Farm Bill – Title 1 ARC/PLC – Major Changes:

• Created Generic Base for Cotton (12 million acres).
• NOTES:
  – Potential Change forthcoming to add cotton oilseed as a covered commodity crop prior to expiration of this bill.
  – Would mean generic base acres would become cotton base acres.
  – Cost of program - - - is being debated.
  – Positive? Helps the baseline for the 2018 farm bill.
2014 Farm Bill – ND Corn

2014 Farm Bill – Title 1 – ARC/PLC – Successes:

• Yield updates for the first time since 2002.

• Base updates to historic farm base level for the first time since 2002 – shifted wheat to corn/soy.

• Program decisions by crop by FSA farm.

• Education effort by FSA, Extension and others.
2014 Farm Bill – ND Corn

2014 Farm Bill – Title 1 – ARC/PLC – Successes:

• ARC and PLC payments in 2014, 2015, 2016:
  – 2016 – US – $6.0 Billion (Est.); ND - $420 million (Est.)
    • ND – Wheat PLC and ARC-CO - $300 million
    • ND – Canola PLC - $90 million.
    • ND – Corn PLC and ARC-CO – minimal payment (NE ND).
    • ND – Soybean PLC and ARC-CO – minimal payment.

• Additional planting flexibility of fruits and vegetables (i.e. Dry Edible Beans and Potatoes)
2014 Farm Bill – Title 1 – ARC/PLC – Issues:

• Base increase to limited to historic on farm.

• Yield update could not occur if records were missing/not provided.

• 5-year lock of programs – winners and losers

• Payments for ARC-CO are projected to be reduced in 2017, 2018 due to lower prices.
2014 Farm Bill – ND Corn

2014 Farm Bill – Title 1 – ARC/PLC – Issues:

• Lateness of making payments

• ARC-CO yield cascade; missing county NASS yields; NASS vs RMA data.

• NASS yields - efforts by USDA and Commodity groups did not appreciably increase NASS response rates.
2018 Farm Bill – ND Corn

2018 Farm Bill – ND Corn - Membership:

• Retain strong and fully funded crop insurance program.

• Trade – enhance and reestablish trade relations with trading partners.

• Adjust the ARC-CO and PLC program.
2018 Farm Bill – ND Corn

2018 Farm Bill – ND Corn - Membership:

• Retain the RFS and ethanol levels of production.

• Regulatory and oversight relief related to managing water and wetlands on farms.

• Research funding
2018 Farm Bill – ND Corn

2018 Farm Bill – Wish List – ARC-CO and PLC:

• Allow update of base and yield – new base period.

• At a minimum, allow base/yield update relief for beginning farmers.

• Use RMA yield data for ARC-CO.
  – Benchmark and current year yields
  – Allow PP acres in current year yield calculation.
  – Consider Quality Adjustment of current year revenue.
2018 Farm Bill – ND Corn

2018 Farm Bill – Wish List – ARC-CO and PLC:

• County Yield Missing – use Hoeven Amendment process and allow State Committee to assign a yield.

• Annual program decision of ARC-CO and PLC programs – by crop; by farm.
  – Eliminate the multiple year lock of program.
  – Annual program decision by March 15?

• Combine the programs of ARC-CO and PLC?
Contact Information

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www.ndcorn.org
U.S. Sugar Policy: Why We Have It and How It Is Working

Jack Roney
Director of Economics and Policy Analysis,
American Sugar Alliance
Washington, D.C.
1. Why we need a U.S. sugar policy

2. How U.S. sugar policy is working

3. Challenges for U.S. sugar industry and policy
U.S. Sugar Policy

1. Why we need a U.S. sugar policy

• U.S. sugar industry among world’s largest and most efficient
United States' Major Role in World Sugar Market

-- Rankings based on 2012/13-16/17 averages --

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<td>Consumption</td>
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<tr>
<td>Imports</td>
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Source: USDA, Foreign Agricultural Service
U.S. rank among the world's sugar producers:
Among lowest cost producers in the world

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<tr>
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<th>U.S. Rank*</th>
<th>Number of Producing Countries/Regions</th>
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<td>Beet Sugar</td>
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<td>Cane Sugar</td>
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<tr>
<td>All Sugar</td>
<td>20</td>
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*#1 = lowest cost.

1. Why we need a U.S. sugar policy

- U.S. sugar industry among world’s largest and most efficient

- But world market highly distorted, wildly volatile – generally does not reflect the global costs at which sugar is produced and consumed
World Average Raw Sugar Cost of Production Has Averaged 19 Cents Over Past 28 Years

--Cents per pound--

Have world sugar prices reflected the cost of producing sugar?

World Raw Sugar Dump Market Price:
Historically Does Not Reflect Actual Cost of Producing Sugar

--Cents per pound--

Over past 28 years:
World average cost of producing sugar (19 cents) has averaged 46% more than world price (13 cents)

World Average Cost of Production

World Raw Price
(Only 20-25% of sugar sold at this price)

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</tr>
<tr>
<td>Consumer Demand Support</td>
<td>✓</td>
<td></td>
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</tr>
</tbody>
</table>

LMC International, 2008
World's Largest Sugar Exporters: All Subsidize*

-- Shares of Global Exports, 2012/13-16/17 Average --

- Brazil
  - $2.5-3.0 billion/yr direct & indirect subsidies
  - Sugar benefits from cane ethanol subsidies
  - Credit subsidies
  - Debt forgiveness
  - Currency devaluation

- Other 68 Countries, 23%
  - European Union
    - Decades of high price supports, export subsidies
    - High import tariffs
    - Grower subsidies
  - Mexico
    - Government ownership of mills
    - Credit subsidies; debt forgiveness
    - Income subsidies
    - Currency devaluation
  - India
    - Government-set prices
    - Export subsidies
    - Transportation and input subsidies
  - Australia
    - Direct grower payments
    - Credit subsidies
    - Exports sales below domestic price levels

- Thailand, 14%
- Thailand
  - Government-set prices
  - Credit and input subsidies
  - Indirect export subsidies

- Brazil, 47%

* Subsidies -- Sourced from FAS attaché reports, press reports, country studies. Does not include currency devaluations.
1. Why we need a U.S. sugar policy

- U.S. sugar industry among world’s largest and most efficient
- But world market highly distorted, wildly volatile – generally does not reflect the global costs at which sugar is produced and consumed

- We support Congressional “Zero-for-Zero” resolution: We will give up U.S. sugar policy when foreign countries give up theirs
- We do *not* support unilateral disarmament
World Dump-Market Prices for Refined Sugar Averaged 21 Cents/Pound over Past Decade

-- 2005-2014, cents/lb --

Source: USDA.
World Average Actual Refined Wholesale Sugar Prices Exceed World Dump-Market Prices by 46% -- 2005-2014, cents/lb --

2005-2014 Averages

<table>
<thead>
<tr>
<th>Type</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>World-Average Wholesale Refined</td>
<td>31.06 cents/lb</td>
</tr>
<tr>
<td>World Dump-Market Refined</td>
<td>21.25 cents/lb</td>
</tr>
</tbody>
</table>

75-80% of world sugar sold at this price average

World Average Wholesale Price

World Futures Price (London #5)

20-25% of world sugar sold at this price

World Average Wholesale Refined Sugar Price Nearly 50% Higher than World Dump Market Price; Developed-Country Average Nearly Double -- 2005-2014, cents/lb --

Developed-Country Wholesale Price\(^1\)

World-Average Wholesale Price

World Futures Price (London #5)

2005-2014 Averages

<table>
<thead>
<tr>
<th>Developed-Country Wholesale Price</th>
<th>41.25¢/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>World-Average Wholesale Price</td>
<td>31.06¢/lb</td>
</tr>
<tr>
<td>World Dump-Market Refined Price</td>
<td>21.25¢/lb</td>
</tr>
</tbody>
</table>


1/ EU-28 and other OECD countries in ISO survey.
2. How U.S. sugar policy is working

- **Consumer success: Low U.S. wholesale and retail prices**
  - Retail prices could be even lower

- **Taxpayer success: Zero cost almost every year**

- **Producer safety net: Almost every year**
  - The Mexico problem: Subsidizing, over-producing, and dumping onto the U.S. market
U.S. Wholesale Refined Sugar Price Well Below World and Developed-Country Average Prices

-- 2005-2014, cents/lb --


1/ EU-28 and other OECD countries in ISO survey.
Developed-Country Average Retail Sugar Price: 29% Higher than U.S.;
Global Average: 20% Higher than U.S.

American sugar consumers benefit from U.S. sugar policy:
Lower retail prices than most of rest of world, including "free-trade" Australia and Canada

Source: SIS International Research, "Global Retail Sugar Prices," July 2015, from Euromonitor, International Monetary Fund; 2014 prices. Surveyed countries represent 67% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.
Price Change Since 2010: Producers' Wholesale Refined Sugar Price Down 52%

August 2010 = 100 Percent

Have consumers benefitted from the steep drop in producer price?

U.S. Price Changes Since 2010:
Wholesale Sugar Down 52% but Retail Sugar & Sweetened Product Prices Up
August 2010 = 100 Percent

Food manufacturers and retailers do NOT pass savings on lower producer prices along to consumers

U.S. Sugar Policy Cost:
Zero Net Cost Before Mexican Subsidizing and Dumping;
Zero with the Cases/Suspension Agreements (SAs)

-- CBO Projections, Million Dollars --

Mexico overruns U.S. market with subsidized, dumped sugar; net cost to USDA of removing surplus

U.S. Government suspends subsidy and dumping tariffs (48-84%) on Mexican sugar

USDA and FAPRI projections: Zero cost during 2019/20-25/26

CBO projection based on the possibility Mexican dumping resumes after 2019/20

FAPRI = Food and Agricultural Policy Research Institute.
The Mexico Problem

- **Mexico subsidized**
  - Government until recently owned and operated one fifth of industry; federal and state government subsidies; debt forgiveness; export subsidies…
  - U.S. Department of Commerce (DOC) found subsidy margins of 6-44%

- **Mexico dumped**
  - Massive sales in U.S. at prices below Mexican prevailing prices and cost of production
  - DOC found dumping margins of 41-42%
  - Combined subsidy and dumping margins of 48-84%

- **Mexico caused injury**
  - Mexico collapsed the U.S. sugar market, injured U.S. producers, cost U.S. taxpayers $259 million in 2012/13
  - U.S. International Trade Commission (ITC) ruled *unanimously*, twice, that Mexico had caused injury

- Thousand short tons, raw value -

U.S.-Mexico free trade in sweeteners began January 1, 2008

USDA, ERS: Table 24b- 2016/17 = forecast.
U.S. Wholesale Refined Beet Sugar Prices, 1997-2017

--Cents per pound--

World price hits 30-year high

Average Prices
1980's: 27.06
1990's: 26.63
2000's: 27.79

2016/17 Forfeiture Range
24.40

Source: USDA--Wholesale refined beet sugar, Midwest markets, monthly averages; FSA-calculated forfeiture range. AD/CVD = anti-dumping and countervailing duties.
Wholesale Refined Sugar Prices and Sugar Company Closures:
Flat prices for three decades = 57 closures from 1985 to 2016
--Cents per pound--

Beet and Cane Mill or Refinery Closures

1985-89
5 Beet
8 Cane

1990-94
2 Beet
4 Cane

1995-99
5 Beet
9 Cane

2000-2004
5 Beet
7 Cane

2005-2009
3 Beet
7 Cane

2016
1 Beet
1 Cane

Producer Focus:
30 years of Flat Pricing;
Real Price Down 43%

User Focus:
Global Shortage,
30-Year Spike

Source: USDA, annual average wholesale refined sugar prices, Midwest markets, 1985-2016. More operations would have closed had farmers not organized cooperatively to purchase independent beet and cane processing and refining facilities. User access to domestic sugar would have suffered more.
U.S. Wholesale Refined Sugar Prices: Real Price Down by 43% Since 1985

Global sugar shortage, world price spike

Inflation 1985 - 2016: 123%

Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; annual averages 1985-2016.
Since 1980's: Producer Prices for Sugar Flat While Farmers' Costs Have Soared  
-- 2013-15 average compared with 1980s average --

Meanwhile, since the 1980's, retail prices for major sweetened-product categories have kept up with inflation -- increases of 100-200%.

1980's average compared with 2013-15 three-year average.
Sugar price data source: USDA, Table 4; Raw cane sugar prices, #16 contract. Input cost and inflation data source: U.S. Labor of Statistics.
2. How U.S. sugar policy is working

- Consumer success: U.S. wholesale and retail prices well below world average
  - Would benefit even more if food manufacturers and grocers passed low producer prices through to consumers
- Taxpayer success: Zero cost 14 of past 15 years; projected to remain zero cost next 10 years
  - Dumped, subsidized sugar from Mexico caused cost in 2013
- Producer safety net: With adequate response to Mexican subsidizing and dumping, safety-net price is achievable
  - But producer prices low and farmers facing huge economic challenges
U.S. Sugar Policy

3. Industry, policy challenges

- Work with U.S. government to achieve effective response to Mexican subsidies and dumping
  - Improve the U.S.-Mexican government Suspension Agreements or impose the antidumping and countervailing duties the U.S. government has calculated

- Sustain producer safety net with effective, zero-cost sugar policy in the 2018 Farm Bill
  - Crucial elements:
    - Sugar-grower participation;
    - Cooperation with other commodity groups;
    - Support of the North Dakota delegation and other Congressional champions of agriculture
Farm Bill Priorities
American Soybean Association

NDSU Farm Policy and Bill Conference
April 12, 2017
Beverly Paul
bpaul@soy.org
2018 Farm Bill Process

Hearings Have Started:

- Senate Ag Committee “Listening Session” in Kansas on February 23
- Michigan session planned for May
- House hearings held on Conservation, International Market Development, Rural Development and Energy, Specialty Crops, Research (Richard Wilkins), Forestry, Nutrition, Livestock and Dairy
- House Ag Committee Subcommittee on General Farm Commodities Hearings on March 28 (Ron Moore) and April 4
ASA Voting Delegates adopted Farm Bill priorities at Commodity Classic:

- Decline in farm prices and income and other programs require additional funding
- Need to fix ARC-CO, include another Title 1 choice, reallocate or update bases, keep decoupling
- Keep the farm/rural and nutrition titles intact
- Maintain crop insurance as the core risk management tool
Title I: Commodities

- Reauthorize ARC and PLC
- One-time choice to sign up, crop-by-crop, farm by farm
- Payments based on recent historical crop production rather than current year plantings
- Option to keep, reallocate or update base and update program yields
- Use RMA county yield data for ARC
  - Next best: RMA data for adjoining county or counties
Title II: Conservation

- ASA supports increasing the acreage cap for the Conservation Reserve Program to aid in implementation of the program
- Maintain funding for working lands programs
Title III: Trade

• Double funding for export promotion programs:
  1) Foreign Market Development (FMD) from $34.5 to $69 million annually
  2) Market Access Program (MAP) from $200 million to $400 million annually
Research and Energy Titles

• ASA supports full funding for AFRI and other ag research programs

• ASA supports authorizing and funding the Bioenergy Program for Advanced Biofuels, the Biobased Market Program, and the Biodiesel Education Program
Challenges to Crop Insurance

Legislation in the last Congress proposed:

- An Adjusted Gross Income (AGI) limit of $250K per person or legal entity.
- A premium discount cap of $40K per person or legal entity.
- A cap on the rate of return for crop insurance companies of 8.9%.
- A cap on administrative and operating expenses of $900 million per year.
- Striking the Standard Reinsurance Agreement (SRA) sideboard language from the 2014 Farm Bill, which prevents USDA from cutting money from crop insurance and sending that money to other areas without the appropriate input from Congress.
- A prohibition on premium discounts for harvest price policies.
- Disclosure of the names of every person who utilizes crop insurance, including the premium discount received and any indemnities paid.
• Luncheon and Luncheon Speaker

• The Congressman’s expectations for the 2018 Farm Bill
  • What worked in the 2014 farm bill
  • what could be changed/modified, and
  • Is there a need for a new farm policy

• The Honorable Kevin Cramer, United States Congressman Introduced by Ken Grafton, NDSU

Dr. Saleem Shaik

Center for Agricultural Policy and Trade Studies
Fourth Session

• **Title II and III: Conservation and Trade**
  - The 2014 farm bill consolidated 20 programs into the Conservation Reserve Program (CRP), the Environmental Quality Incentives Program (EQIP), and the Conservation Stewardship Program (CSP). Other conservation programs were combined into two new programs—the Agricultural Conservation Easement Program (ACEP) and the Regional Conservation Partnership Program (RCPP). This session on conservation trade addresses resource and environmental concerns, the status and impact of existing free trade agreements, and the possibility of additional multi-lateral trade agreements.

• Moderator: Rob Larew, Senior Vice President for Public Policy and Communications, National Farmers Union

Panel:

• Environmental Quality Incentives and/or Conservation Title—Levi Otis, Government Affairs, Ellingson Companies

• Effects of Conservation Programs on Production Agriculture—Daryl Lies, President, North Dakota Farm Bureau Wheat Trade—Neal Fisher, Administrator, North Dakota Wheat Commission

• The State of the North Dakota Trade Industry —Dean Gorder, Executive Director, North Dakota Trade Office
NDSU Farm Bill Conference
April 12, 2017

Rob Larew
Sr. VP of Public Policy & Communications
National Farmers Union
Farm Bill
Title II: Conservation
Conservation in 2014 Farm Bill

Cut Budget
$26.1 Billion (5% of FB total)
Cut for first time ever – high prices

Consolidated programs
20 Programs => CRP, EQIP, CSP
Others => ACEP, RCPP
Farm Bill
Title III: Trade
Trade in 2014 Farm Bill

~ Focuses on international food aid & ag exports
~ Attempts to fix WTO issues, food aid quality
2018 Farm Bill
Adequately funded conservation & trade programs provide support.

Farm Economy & 2018 Farm Bill

Commodity Prices Are Very Low
~ 2016 Net Farm Income = $71.5B
~ 11% drop from 2015
~ 42% drop from 2013
Current Trade Environment

Ag: $20B trade surplus, 4% of U.S. trade deficit

Trump Administration:
~ Withdrew from TPP
~ Set to renegotiate NAFTA
~ Otherwise prefers bilateral agreements
~ Met w/ China on trade last week

NFU: Fix trade issues, maintain positive trade relationships
Stay Up-To-Date!

Understand the issues:

~ News Clips
~ News Releases
~ Washington Corner
~ Farmer’s Share

Keep Up-To-Date with Farmers Union Activities:

~ E-Newsletter
~ Social Media (next slide)

www.NFU.org/CONNECT
Thank you!
TRADE POLICY

- New administration, New Trade Officials
  - USDA – Sonny Perdue
  - Commerce – William Ross
  - USTR – Robert Lighthizer
  - White House National Trade Council – Peter Navarro

- **U.S. Ag Exports** account for one third of gross farm income – 2016
- **U.S. Ag Exports** valued at $103 Billion - 2016
  - Increased U.S. Net Farm Income by $27 Billion
  - Only sector of U.S. economy to show a trade surplus
- **Exports** very important for wheat, soybeans, com, beef, specialty crops
PRESIDENT TRUMP GUIDING PRINCIPLES ON TRADE:

- "Trade should be expanded in a manner that is freer and fairer for all Americans"
  - Critical of Past Trade Agreements (NAFTA, U.S. Korea, China WTO Accession)

- **Four Major Priorities**
  - Defending National Sovereignty over Trade Policy
  - Strictly Enforcing U.S. Trade Laws
  - Using Leverage to Open Foreign Markets
  - Negotiating New and Better Trade Deals

Attitude seems to be moderating a bit - post election
TRADE POLICY

- **Trans Pacific Partnership** – now dead - Bilateral Opportunities may provide alternatives/framework
  - 12 Countries including U.S., Canada, Mexico, Japan, Australia, New Zealand, Chile, Peru, Singapore, Vietnam, Malaysia and Brunei
  - Future – Indonesia, Taiwan, Korea, Philippines
  - Lost a decade
  - China – now in charge in region?

- **Trans Atlantic Trade and Investment Partnership**
  - U.S., European Union – complicated by Brexit

- **Trade Promotion Authority** Up/Down in Congress

- **Enforcement Actions** – China case initiated
  - Important for U.S. Trade Agenda
  - Fosters Confidence in New Trade Agreements
FEDERAL FUNDING FOR MARKET DEVELOPMENT (Exports)

- Currently very important in Farm Bill given the new trade environment
- $34.5 Million (since 2002) Foreign Market Development (FMD)
- $200 Million (since 2006) Market Assistance Program (MAP)
  - Loss of actual value due to inflation, sequestration – nearly 40%
- Current Stakeholder Proposals Seeking to Double
  - FMD $69 million
  - MAP $400 million
  - Coalition to promote U.S. Agricultural Exports
  - Agribusiness Coalition for Foreign Market Development
ACTUAL EFFECTIVE FUNDING OF FMD/MAP TODAY

- Erosion of Original Program of $234.5 Million
  - Sequestration: $16 Million
  - USDA Administrative Costs: $6.6 Million
  - Inflation since 2002: $70.4
  - Other Federal Deductions: $3.5 Million
  - Erosion/Reduction = 41% $96.5 Million
  - Actual Effective FMD/MAP Funding in MY 17-18 $138 Million

- USDA Match to Producer Dollars for Market Development Reduced from $3:1 to $2:1 in Recent Years
U.S. WHEAT ASSOCIATES
FOREIGN OFFICES

Goal: Boots on Ground Where it Matters Most
FREE TRADE AGREEMENTS

TPP Members – Awaiting Approval
TTIP - Under Negotiation
Possible Future TPP Members
Other Existing Agreements (does not include 6 within TPP)
U.S. FALLING BEHIND IN MARKET ACCESS

Global Preferential Trade Agreements

- Total WTO-Notified PTAs
- U.S. WTO-Notified PTAs
HISTORICAL TRADE VOTES – U.S. HOUSE
**Japan:** Reduction in the mark-up system of 45% over 7 years

Addition of country-specific TRQ, 150 TMT after 7 years

Removal of tariffs on select wheat and flour products

**Vietnam:** Immediate duty-free access

Australia will have duty-free access in 2016 as part of ASEAN – Australia FTA

Full tariff reductions in all TPP members except Japan will set solid precedent for future members.

**Updates Sanitary and Phytosanitary Rules** - “WTO Plus” standards subject to dispute settlement, in addition to transparency and public comment improvements

**New Biotechnology Chapter** - Transparency in rule-making and approval process and commitment to work together on low-level presence (LLP)
WHEAT GAINS WILL GROW

Wheat-specific gains weren’t as large as we hoped, but still significant
– view as a “platform” to build on
WHO BUYS U.S. HRS WHEAT?

- USA: 52%
- North Asia: 18%
- Latin America: 10%
- Middle East: 2%
- Europe: 3%
- South Asia: 14%
- Sub-Saharan Africa: 1%
U.S. HRS PRODUCTION REGION / EXPORT PATH

- 72%
- 8%
- 18%
- 2%
U.S. HARD RED SPRING WHEAT
“DNS Wheat”

- Second largest wheat class produced in U.S.
- Known for:
  - High protein content
  - Superior vitreous kernel levels, dough strength and high water absorption
  - Large loaf volume
- Typically “blending” wheat
- Increases protein content and protein quality
- Ideal for specialty bread products/Asian noodles
- U.S. HRS < 2% of Total Global Wheat Crop
- Specific Applications – Not #2 Yellow Corn or HRW
U.S. HRS ANNUAL DEMAND
(Export / Domestic)

Million Tons

Export
Domestic use

Million Bushels

Source: USDA March 2017
U.S. WHEAT FOOD USE BY CLASS

Million Bushels

Million Tons


HRW HRS SRW
EXPORT MARKETING

- **Partnerships** - U.S. Wheat Associates, N.D. State University, Northern Crops Institute, others
- **USDA Match** - $2.00 : $1.00/Commission Funds
- **Crop Quality Survey/Report/Seminars**
  - Key sales tools for ND crop
- **Customer Relationships Important**
  - Provide valuable link producer to customer
- **Technical Support/Training/Education**
  - Marketing, Quality, Procurement Skills
  - Builds Customer Trust
- **Regional Marketing Conferences**
  - LABC, NAMC, SABC
- **Customer Service = Repeat Business/Growth**
HRS EXPORT TRENDS BY REGION

Million Bushels

<table>
<thead>
<tr>
<th>Region</th>
<th>Million Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Africa/Mid East</td>
<td></td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
</tr>
</tbody>
</table>

Legend:
- 11/12
- 12/13
- 13/14
- 14/15
- 15/16
TOP IMPORTERS OF U.S. HRS
FIVE-YEAR AVERAGE (2011/12 – 2015/16)

USDA Export Inspections
EXPORT PACE – U.S. HRS WHEAT
(Shipment and sales as of March 30, 2017)

U.S. HRS – Largest Export Class MY14-15 and MY15-16
TODAY’S MARKETS: HIGHER VALUE
U.S. TO P VALUE WHEAT EXPORTER

5-Year Average Export Value
(2011 – 2015)

Billion US$

U.S. > Canada > Australia > France > Russia > Germany > Ukraine > Argentina > Kazakhstan > India
WHEAT EXPORTS
Million Bushels

Source: USDA March 2017
U.S. WHEAT ENDING STOCKS BY CLASS (June 2017)

Million Bushels

HRW  HRS  SRW  SW

Million Tons

12-13  13-14  14-15  15-16  Proj 16-17

11/28/16
RELATIVE VALUES OF ALTERNATIVE EXPORT ORIGINS

Sample Importer Price View
(2014/15 - 2015/16)
Worthy of Support

We Ask for ...

- Public support for the concept of doubling MAP & FMD funding by end of the next Farm Bill

- Make this concept one of the top legislative priorities for wheat farmers
YOUR RETURN FROM MAP & FMD

- $1 investment earned $45 in farmer net income from higher prices due to export market share
- In 2014, exports were 22+% more because of MAP and FMD

Export Demand Remains a Crucial Revenue Factor

“An Economic Analysis of U.S. Wheat Export Promotion”

Dr. Harry M. Kaiser
Cornell University
September 2015
Thank you

Questions?
About the NDTO

- Non-profit dedicated to expanding North Dakota’s international trade
- Funded by North Dakota tax monies and membership dues
- Staff of professionals dedicated to international trade expansion
North Dakota Exports
## What We Export: Annually

<table>
<thead>
<tr>
<th>Product</th>
<th>2015 Value ($)</th>
<th>2016 Value ($)</th>
<th>2015 Percent</th>
<th>2016 Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>211_Oil &amp; Gas</td>
<td>$1,297,361,472</td>
<td>$1,878,708,238</td>
<td>33.5%</td>
<td>44.9%</td>
</tr>
<tr>
<td>333_Machinery Manufacturers</td>
<td>$783,938,701</td>
<td>$683,014,590</td>
<td>20.2%</td>
<td>16.3%</td>
</tr>
<tr>
<td>111_Crop Production</td>
<td>$610,669,744</td>
<td>$476,986,745</td>
<td>15.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>325_Chemicals</td>
<td>$257,344,681</td>
<td>$294,317,583</td>
<td>6.6%</td>
<td>7%</td>
</tr>
<tr>
<td>324_Petroleum &amp; Coal Products</td>
<td>$245,796,288</td>
<td>$182,549,123</td>
<td>6.3%</td>
<td>4.4%</td>
</tr>
<tr>
<td>311_Processed Foods</td>
<td>$226,224,460</td>
<td>$262,959,234</td>
<td>5.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>All Others</td>
<td>$455,525,438</td>
<td>$401,988,420</td>
<td>11.7%</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$3,876,860,784</strong></td>
<td><strong>$4,180,523,933</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.
## Our Global Customers

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4,310,298,012</td>
<td>4,401,699,407</td>
<td>5,513,090,266</td>
<td>3,876,860,784</td>
<td>4,180,523,933</td>
</tr>
<tr>
<td>Canada</td>
<td>3,087,708,852</td>
<td>3,339,943,902</td>
<td>4,369,594,528</td>
<td>2,772,792,656</td>
<td>3,243,963,975</td>
</tr>
<tr>
<td>Mexico</td>
<td>282,544,654</td>
<td>238,248,867</td>
<td>320,020,830</td>
<td>294,491,296</td>
<td>256,923,587</td>
</tr>
<tr>
<td>Australia</td>
<td>124,369,659</td>
<td>81,869,552</td>
<td>83,799,982</td>
<td>133,352,636</td>
<td>121,709,197</td>
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<tr>
<td>Czech Republic</td>
<td>34,199,537</td>
<td>22,838,091</td>
<td>23,017,113</td>
<td>69,780,831</td>
<td>62,923,481</td>
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<tr>
<td>Germany</td>
<td>50,535,739</td>
<td>40,082,891</td>
<td>42,510,051</td>
<td>42,967,194</td>
<td>43,337,777</td>
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<tr>
<td>Japan</td>
<td>33,796,792</td>
<td>31,948,441</td>
<td>36,739,901</td>
<td>40,961,409</td>
<td>29,185,057</td>
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<tr>
<td>India</td>
<td>26,810,642</td>
<td>29,354,545</td>
<td>35,045,638</td>
<td>34,283,984</td>
<td>27,228,146</td>
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<tr>
<td>China</td>
<td>19,133,742</td>
<td>23,530,070</td>
<td>49,960,606</td>
<td>16,863,755</td>
<td>21,941,214</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>55,445,413</td>
<td>21,698,555</td>
<td>16,928,136</td>
<td>5,717,140</td>
<td>21,142,920</td>
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<tr>
<td>United Kingdom</td>
<td>30,356,214</td>
<td>30,722,339</td>
<td>20,975,610</td>
<td>18,671,443</td>
<td>19,359,088</td>
</tr>
</tbody>
</table>

Source: Office of Trade and Industry Information (O’II), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.
North Dakota ranks 9\textsuperscript{th} in the nation with $4.502 billion in agricultural exports in FY 2014

<table>
<thead>
<tr>
<th>National Rank</th>
<th>Commodity</th>
<th>North Dakota Ag Exports in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Wheat</td>
<td>$1.151 billion</td>
</tr>
<tr>
<td>#9</td>
<td>Soybeans</td>
<td>$1.070 billion</td>
</tr>
<tr>
<td>#8</td>
<td>Grain Products</td>
<td>$157 million</td>
</tr>
<tr>
<td>#9</td>
<td>Vegetable Oils</td>
<td>$175 million</td>
</tr>
<tr>
<td>#12</td>
<td>Com</td>
<td>$249 million</td>
</tr>
<tr>
<td>#12</td>
<td>Feeds</td>
<td>$258 million</td>
</tr>
<tr>
<td>#7</td>
<td>Vegetables, Fresh &amp; Processed</td>
<td>$196 million</td>
</tr>
<tr>
<td>#15</td>
<td>Other Products *</td>
<td>$940 million</td>
</tr>
<tr>
<td>#9</td>
<td>Total</td>
<td>$4.502 billion</td>
</tr>
</tbody>
</table>

* Other pertains to live animals, other meats, animal parts, eggs, wine, beer, other beverages, hops, nursery crops, pet food, inedible materials and prepared foods

** Totals may not add due to rounding.

Source: Compiled by ERS using data from USDA, National Agricultural Service and U.S. Department of Commerce, Census Bureau.
### Top US Agriculture Importers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>22,984,689,497</td>
<td>21,562,541,491</td>
<td>20,957,704,776</td>
</tr>
<tr>
<td>2</td>
<td>Canada</td>
<td>8,741,196,252</td>
<td>9,287,770,863</td>
<td>9,685,515,426</td>
</tr>
<tr>
<td>3</td>
<td>Mexico</td>
<td>8,577,767,749</td>
<td>7,361,328,506</td>
<td>7,741,610,324</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>8,174,040,027</td>
<td>6,879,088,824</td>
<td>7,574,228,379</td>
</tr>
<tr>
<td>5</td>
<td>South Korea</td>
<td>3,471,319,797</td>
<td>2,767,708,380</td>
<td>3,768,983,552</td>
</tr>
<tr>
<td>6</td>
<td>Taiwan</td>
<td>2,097,867,015</td>
<td>1,772,838,881</td>
<td>2,142,676,279</td>
</tr>
<tr>
<td>7</td>
<td>Indonesia</td>
<td>1,668,355,829</td>
<td>1,716,888,858</td>
<td>1,912,985,326</td>
</tr>
<tr>
<td>8</td>
<td>Germany</td>
<td>1,834,008,874</td>
<td>1,878,362,062</td>
<td>1,823,370,217</td>
</tr>
<tr>
<td>9</td>
<td>Spain</td>
<td>1,148,096,582</td>
<td>1,499,873,476</td>
<td>1,676,566,061</td>
</tr>
<tr>
<td>10</td>
<td>Hong Kong</td>
<td>1,951,112,394</td>
<td>2,066,723,820</td>
<td>1,628,461,856</td>
</tr>
<tr>
<td><strong>World Total</strong></td>
<td><strong>81,124,373,389</strong></td>
<td><strong>79,738,156,657</strong></td>
<td><strong>83,855,827,395</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: USDA's National Agricultural Statistics Service and U.S. Department of Commerce, Census Bureau, TradeStats Express*
A Look Ahead

The Future of North Dakota Exports
World Population

4% 96%
World Geopolitics
Global Economy
United States Political Risk

- Tax Policy
- Regulation
- Free Trade Agreements
Transportation
Key Markets: Past, Present & Future
World Middle Class Growth
Increase from 2009 to 2030

-5%
42.2%
2.4%
59.8%
83.7%

Source: OECD
Case Study: Angola

- Highest GDP in Africa
- Growing Infrastructure
- 60 Angolans visited ND in September
Aging Population

Percentage of world population over 60

Next Steps: Exporter Education

- Export Management Course
- Trade Talks
- Global Business Connections
- ExporTech
Thank You!

www.ndto.com
• U.S. Agricultural Policy Issues: Past, Present and Emerging Rural and Farm Policy Issues
  • U.S. agricultural policies have been addressed in 17 farm bills since 1933; nutrition has been a component of the farm bill since 1973; rural infrastructure and resource conservation also have been considerations throughout these decades. The conference closing address considers how past and present U.S. agricultural policies may influence future policies. This presentation will challenge participants to consider a broad array of emerging agri-culture, rural and farm policy issues.

• Moderator: Scott Stofferahn, Executive Vice President, at Golden Growers Cooperative

U.S. AGRICULTURAL POLICY ISSUES:
Past, Present & Emerging Rural & Farm Policy Issues

Warren P. Preston • Deputy Chief Economist
North Dakota State University • April 2017
Overview

• Starting at 1900…expansion, science and market development
• Post-WWII…prosperity, productivity gains and globalization
• Emergence of consumer focus and environmental/conservation concerns along with supply management
• Period of mixed farm support…coupled vs decoupled…culminating in focus on risk management
• Non-farm rural development programs
SOME FACTS

Then and now…
Context for U.S. agricultural policy: Abundant land...
long-running productivity growth

TFP accounted for nearly all the growth in U.S. agricultural output between 1948 and 2013

Note: TFP is measured as total agricultural output per unit of aggregate input.
...and long-running non-farm economic growth...

Agriculture’s share of U.S. GDP has fallen to one percent

...support structural change...

Both rural and farm population have fallen steadily since 1900

Source: Economic Research Service using U.S. Census of Population
These changes have diminished agriculture’s role in the rural economy

In 1969, farming accounted for 20 percent or more of earnings in 877 nonmetro counties

In 2012, farming accounted for 20 percent or more of earnings in 430 nonmetro counties

Source: Economic Research Service, USDA
U.S. farms still family owned, but vary widely by size and role in farm economy

Government payments account for only a small share of farm gross cash income

Source: *Farm Income Data*, Updated February 2017. Economic Research Service, USDA.
Source of government payments varies by farm type

On smaller scale farms, off-farm income provides the bulk of household income

TIMELINE OF SIGNIFICANT POLICY CHANGES

Policies adapt to changing conditions
19th to early 20th century: Expansion, scientific agriculture, and market development

- Land distribution and infrastructure development— to encourage settlement and markets
- Science and education— research, education and extension to improve farming and farm life
- Information, credit, and marketing— to assist farmers’ participation in changing economy
20th-21st century: Productivity impacts

- **Securing post-war prosperity**
  - High price supports

- **Adjusting to explosive productivity gains**
  - Adjust price supports
  - Distribute surplus stocks
  - Increase acreage reductions

- **Responding to globalization**
  - End price supports & acreage controls
  - Move toward risk management
Rapid productivity growth in mid-20th century: yield growth

**Corn yields**

- Bushels per acre

**Wheat yields**

- Bushels per acre

Rapid productivity growth in mid-20th century: input use

Input growth and labor declines peaked between 1948 and 1969

Requires policy adjustments to respond to surpluses—flexible price supports, food donations, and acreage reduction

- Price supports continue, but with flexibility to reduce when surpluses arise
- Foreign food donations and export subsidies authorized
- Acreage reduction efforts increased to control production
- Conservation land retirement instituted to meet multiple objectives
Expanding global demand pressures policies to reduce surpluses

U.S. exports grew dramatically in the last half of the century

- Redesign of price support and supply management to increase market orientation
  - Target prices/deficiency payments replace high price supports
  - Indexed to production costs/productivity rather than purchasing power
  - Acreage reductions suspended and updated to current national/farm planted acreage
  - Farmer-owned reserve decentralizes surplus storage
Decade of growth in global demand followed by decade of disruptions…

- Increased global productivity and competition pressure world prices

- Grain embargo of 1980 disrupts agricultural trade

- Falling prices precipitate farm financial crisis

- Large acreage diversion program followed by major drought
…culminate in greater focus on risk management…

- **Decoupled payments** replace target prices and deficiency payments

- **Planting flexibility** replaces acreage and marketing controls

- **Crop insurance** program expanded

---

**Trends in crop insurance policy types**

APH = Actual Production History (farm or sub-farm unit level) or Yield Protection (YP)
Revenue = APH yield x national price (farm or sub-farm unit level) (RP or RPHE)
Group = County yield (GRP) or county revenue (GRIP or GRIPH)
Index = Rainfall or Vegetation (Pasture, Rangeland and Forage)
Source: ERS compilation of Risk Management Agency data
Agricultural Act of 2014 offered many risk management options

- **Historical base programs**
  - Price Loss Coverage (PLC)
  - Agriculture Risk Coverage (ARC)

- **New crop insurance programs**
  - Supplemental Coverage Option (SCO)—paid on county averages
  - Stacked Income Protection Plan (STAX)—upland cotton only

- **Continuing programs**
  - Crop revenue and yield programs—multiple policy types
  - Marketing assistance loans—post-harvest nonrecourse loans
Producers face cascade of choices…

**Title I: Commodity Programs**
- For each covered commodity
- OR For each farm
  - PLC
  - County ARC
  - Individual ARC

**Title XI: Crop Insurance Programs**
- For each covered commodity and upland cotton
  - Crop yield insurance
  - Crop revenue insurance
  - No Crop insurance
    - If not in ARC or STAX, only cotton
    - if not in ARC or STAX, only cotton
    - only cotton

**Decision Clarity**
- One time decision for the life of the Farm Bill
- Annual decision
- Annual decision
...including risk management options for livestock

- **Margin Protection Program (MPP) for dairy**
  - Margin insurance--paid on historical output
    - Base coverage with option to purchase higher levels
    - Lower subsidies for coverage of higher historical production

- **Livestock disaster assistance**
  - Livestock Forage Assistance (LFP)
  - Livestock Indemnity Program (LIP)
  - Emergency Assistance for Livestock, Honeybees, and Farm-raised Fish Program (ELAP)

Source: USDA, Farm Service Agency.
USDA outlays reflect breadth of U.S. Farm Bill coverage

Source: Economic Research Service, based on USDA Department Budget Summary and Annual Performance Plans.
Domestic nutrition assistance expanded with recession

Source: USDA, Food and Nutrition Service.
Conservation spending has increased and shifted from land retirement to working lands.

Note: 2015 and 2016 data reflect 2014 Farm Bill programs; 2015 budget authority estimated; 2016 budget authority proposed.
Source: Office of Budget and Policy Analysis, USDA, and Congressional Budget Office.
THE CURRENT AGRICULTURAL AND ECONOMIC LANDSCAPE

How will current conditions will shape the 2018 Farm Bill debate?
Real farm income down almost 30% since 2013

Data: USDA-ERS.
Net farm income expected to remain flat

Billion dollars

Data: USDA.
Debt approaching early 1980’s peak

Billion dollars ($2009)

- Total debt
- Real estate debt
- Non-real estate debt

Data: USDA-ERS.
Interest payments remain low

Data: USDA-ERS.
Delinquency rates on farm loans up slightly

Source: Kauffman and Clark (2016), Ag Finance Databook.
Data: Federal Reserve Board of Governors.
Farm bankruptcy rates remain very low

Bankruptcy rate / 10,000 farms

Source: USDA-ERS.
Debt-to-asset ratio remains low compared to 22% in 1985

Data: USDA-ERS.
Corn revenues down in many counties in 2015...
...and Agricultural Risk Coverage (ARC) payments help
### 2015 example: Central Illinois farmer with corn base enrolled in ARC

- **Piatt**:
  - Rev guarantee: $769
  - Yield bu/acre: 221
  - Price $/bu: $3.61
  - Actual rev $/acre: $798
  - Payment $/acre: $0

- **McLean**:
  - Rev guarantee: $787
  - Yield bu/acre: 199
  - Price $/bu: $3.61
  - Actual rev $/acre: $718
  - Payment $/acre: $69

Data: USDA-FSA.
Projected 2014 Farm Bill spending by commodity

Source: Congressional Budget Office January 2017 and August 2016 Baseline.
ARC payments are expected to fall after 2019

Data: CBO.
Growth in the U.S. crop insurance program

Data: USDA.
Revenue insurance now > 70% of liabilities

Source: USDA-ERS using RMA data.
Farm Bill items under discussion

- Performance of ARC/PLC program
- Planted acres in place of base acres
- Dairy-Margin Protection Program (MPP)
- Cotton programs—SCO, STAX, cottonseed
- Separate bills for commodity versus nutrition assistance
Agricultural research and innovation policy continue to play critical role in increasing productivity
For more information:

Email: wpreston@oce.usda.gov

Office of the Chief Economist Homepage: www.usda.gov/oce

WASDE Secretary’s Briefing Slides: http://www.usda.gov/oce/commodity/wasde/Secretary_Briefing.pdf

Upcoming reports
May 10 – WASDE, Crop Production