2018 Farm Bill

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• 2014 Farm Bill expired on September 30, 2018 without an extension
• Permanent legislation and the “milk cliff” would have presumably taken effect on January 1, 2019 without a new farm bill
• Signed into law Dec 20, 2018
• Government shutdown after that

THERE HAVE BEEN FEDERAL FARM BILLS ABOUT EVERY 5 TO 7 YEARS SINCE 1933

Agricultural Adjustment Act of 1933

Food Security Act of 1985
Food Agriculture Conservation and Trade Act of 1990
Federal Agriculture Improvement and Reform Act of 1996
Farm Security and Rural Investment Act of 2002
The Food, Conservation, and Energy Act of 2008
The Agricultural Act of 2014
Agriculture Improvement Act of 2018

Federal Farm Subsidies have been an Important Source of Net Farm Income

Subsidies have not been Limited to those Legislated in Federal Farm Bills

Ad Hoc Legislation such as Disaster Aid and Market Loss Assistance Payments have also Provided Support

Some aid, such as Market Facilitation Program (MFP) Payments are not from Farm Bill or Ad Hoc Legislation
2018 Farm Bill Titles

- Title I – Commodity Programs
- Title II – Conservation
- Title III – Trade
- Title IV – Nutrition
- Title V – Credit
- Title VI – Rural Development
- Title VII – Research, Extension and Related Matters
- Title VIII – Forestry
- Title IX – Energy
- Title X – Horticulture
- Title XI – Crop Insurance
- Title XII – Miscellaneous

Farm Bill Budget Projected Outlays, FY2019-2028

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Projected Annual Outlay (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>$66.38</td>
</tr>
<tr>
<td>Crop Insurance</td>
<td>7.79</td>
</tr>
<tr>
<td>Commodities</td>
<td>6.14</td>
</tr>
<tr>
<td>Conservation</td>
<td>5.97</td>
</tr>
<tr>
<td>All other</td>
<td>0.44</td>
</tr>
<tr>
<td>Total</td>
<td>$86.72</td>
</tr>
</tbody>
</table>

Source: Congressional Reserve Service and Congressional Budget Office

Farm Bill Issues

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

Commodity Programs
Small Changes, Big Decisions

- ARC
  - Yield data
  - Coverage by practice
  - Coverage by physical county
  - Plug yield increase
  - Trend yield adjustment
  - Big county split
- PLC
  - Payment yield update
  - Effective reference price
- Marketing loans
  - Increased loan rates
- Base acreage
  - Payment cuts to base acreage not planted to program crops in 10 years with some conservation incentives added
- Payment limits
  - Payment eligibility rules for extended family (nieces, nephews, cousins)
- Decisions
  - ARC v. PLC in 2019 for 2019-2020, annually beginning in 2021
ARC Revisions

• Yield Data
  • Use of alternative yield data, USDA-RMA crop insurance data, as the primary source of data instead of USDA-NASS survey data
  • It should provide more consistent data for major crops in major growing regions
  • It will not resolve all data gaps, leaving some yield estimates to committee determination

• ARC-CO Coverage by Practice
  • Coverage by irrigated and non-irrigated practice available upon FSA committee request if not less than 5% of the acreage was irrigated and not less than 5% of the acreage was non-irrigated during the 2014-2018 crop years (as opposed to the 25% factor used to establish ARC-CO coverage by practice under the 2014 Farm Bill)

• ARC-CO Coverage by Physical County
  • ARC-CO coverage tied to physical county regardless of administrative county

• Plug Yield
  • Plug yield in ARC-CO increased from 70% to 80% of transitional yield

ARC Revisions

• ARC-Individual
  • ARC-IC still in effect
  • Had been very low sign up in ND, may look more favorable

• ARC-CO Coverage
  • Subdivide counties?

ARC Revisions

• Trend Yield Adjustment
  • Historical yield data in the ARC benchmark equation to be adjusted in similar fashion as with the Federal crop insurance trend-adjusted yield endorsement
    • Crop insurance trend-adjusted yield methodology
      • Trend-adjusted yield factor by crop, county, and practice calculated each year from historical data
      • TA factor added to historical yields to produce de-trended yield history
        • (TA factor * 1) added to yield in year (t-1)
        • (TA factor * 2) added to yield in year (t-2)
        • Etc.
  • Should improve the ARC-CO benchmark and thus the guarantee to reflect trend-yield expectations that are at or above historical yield averages (no negative trends allowed)

Price Loss Coverage (PLC)

• Each covered commodity has a reference price.
• If the national marketing year average (MYA) price falls below the reference price a payment is triggered.
• Maximum possible payment rate = (Reference price – National Loan Rate)
• The payment rate is applied to the farm’s PLC yield.
• Paid on 85% of base acres for a covered commodity
Reference Prices

<table>
<thead>
<tr>
<th>Crops</th>
<th>Unit</th>
<th>2014 &amp; 2018 Farm Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu</td>
<td>5.50</td>
</tr>
<tr>
<td>Soybean</td>
<td>bu</td>
<td>8.40</td>
</tr>
<tr>
<td>Corn</td>
<td>bu</td>
<td>3.70</td>
</tr>
<tr>
<td>Barley</td>
<td>bu</td>
<td>4.95</td>
</tr>
<tr>
<td>Oats</td>
<td>bu</td>
<td>2.40</td>
</tr>
<tr>
<td>Sorghum</td>
<td>bu</td>
<td>3.95</td>
</tr>
<tr>
<td>Other Oilseeds*</td>
<td>cwt</td>
<td>0.2015</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>cwt</td>
<td>0.1100</td>
</tr>
<tr>
<td>Lentils</td>
<td>cwt</td>
<td>.1997</td>
</tr>
<tr>
<td>Lg. Chickpea</td>
<td>cwt</td>
<td>.2154</td>
</tr>
<tr>
<td>Sm. Chickpea</td>
<td>cwt</td>
<td>.1904</td>
</tr>
</tbody>
</table>

*Sunflower, canola, flax, safflower, mustard, rapeseed, crambe, sesame

PLC Revisions

- **Effective Reference Price**
  - Reference price accelerator
    \[
    \text{Effective Reference Price} = \text{Max of} \left\{ \text{Reference Price or } 85\% \times \left(5 \text{- year Olympic average} \right) \right\}
    \]
  - Formula provides increased reference price if 5-year Olympic average price exceeds existing reference price, subject to a limit of no more than 115% of the existing reference price.
  - Could essentially provide a moving average reference price at 85% of the Olympic average, but only if prices move substantially above existing reference levels (above $4.35 for corn, given the $3.70 existing reference price).

2018 Farm Bill – Allows PLC Reference Price to Increase

Effective Reference Price can increase if 85% of five year Olympic average national MYA price is greater than the statutory reference price. Upper limit is 115% of the statutory reference price.

You can ignore this feature because realistically it should not impact the reference price for the duration of the this farm bill.

**Wheat Example:**
Minimum (Statutory) Reference Price = $5.50

<table>
<thead>
<tr>
<th>MYA</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>5.99</td>
<td>4.89</td>
<td>3.89</td>
<td>4.72</td>
<td>5.16</td>
</tr>
</tbody>
</table>

Olympic Average 4.92
85% of Olym. Avg 4.18

PLC Reference Price and National Marketing Year Prices (MYA)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Unit</th>
<th>Reference Price 2014</th>
<th>National MYA Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu</td>
<td>$5.50</td>
<td>$5.99 $4.89 $3.89</td>
</tr>
<tr>
<td>Soybean</td>
<td>bu</td>
<td>8.40</td>
<td>10.10 8.95 9.47 9.33</td>
</tr>
<tr>
<td>Corn</td>
<td>bu</td>
<td>3.70</td>
<td>3.70 3.61 3.36 3.36</td>
</tr>
<tr>
<td>Barley</td>
<td>bu</td>
<td>4.95</td>
<td>5.30 5.52 4.96 4.47</td>
</tr>
<tr>
<td>Oats</td>
<td>bu</td>
<td>2.40</td>
<td>3.21 2.12 2.06 2.59</td>
</tr>
<tr>
<td>Flax</td>
<td>bu</td>
<td>11.28</td>
<td>11.80 8.95 8.00 9.53</td>
</tr>
<tr>
<td>Sorghum</td>
<td>bu</td>
<td>3.95</td>
<td>4.03 3.31 2.79 3.22</td>
</tr>
<tr>
<td>Canola</td>
<td>lb</td>
<td>0.2015</td>
<td>0.1690 0.1560 0.1660</td>
</tr>
<tr>
<td>Sunflower</td>
<td>lb</td>
<td>0.2015</td>
<td>0.2170 0.1960 0.1740</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>lb</td>
<td>0.1100</td>
<td>0.1200 0.1280 0.1100</td>
</tr>
<tr>
<td>Lentils</td>
<td>lb</td>
<td>0.1997</td>
<td>0.2440 0.3100 0.2850</td>
</tr>
<tr>
<td>Safflower</td>
<td>lb</td>
<td>0.2015</td>
<td>0.2500 0.2450 0.2070</td>
</tr>
<tr>
<td>Mustard</td>
<td>lb</td>
<td>0.2015</td>
<td>0.3480 0.3180 0.3270</td>
</tr>
<tr>
<td>Lg.Ckpea</td>
<td>lb</td>
<td>0.2154</td>
<td>0.2860 0.3060 0.3210</td>
</tr>
<tr>
<td>Sm.Ckpea</td>
<td>lb</td>
<td>0.1904</td>
<td>0.2080 0.2510 0.2490</td>
</tr>
</tbody>
</table>

* USDA Estimate as of 10/10/19
PLC Payment Rates for 2014 - 2017 and Estimate for 2018

<table>
<thead>
<tr>
<th>Crop</th>
<th>Unit</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 Est*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Soybean</td>
<td>bu</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corn</td>
<td>bu</td>
<td>-</td>
<td>0.09</td>
<td>0.34</td>
<td>0.34</td>
<td>0.09</td>
</tr>
<tr>
<td>Barley</td>
<td>bu</td>
<td>-</td>
<td>0.38</td>
<td>0.34</td>
<td>0.48</td>
<td>0.38</td>
</tr>
<tr>
<td>Oats</td>
<td>bu</td>
<td>2.33</td>
<td>3.28</td>
<td>1.75</td>
<td>1.48</td>
<td></td>
</tr>
<tr>
<td>Flax</td>
<td>bu</td>
<td>-</td>
<td>0.64</td>
<td>1.16</td>
<td>0.73</td>
<td>0.69</td>
</tr>
<tr>
<td>Sorghum</td>
<td>bu</td>
<td>-</td>
<td>0.0055</td>
<td>0.0275</td>
<td>0.0295</td>
<td>0.0305</td>
</tr>
<tr>
<td>Canola</td>
<td>lb</td>
<td>0.0325</td>
<td>0.0455</td>
<td>0.0355</td>
<td>0.0265</td>
<td>0.0415</td>
</tr>
<tr>
<td>Sunflower</td>
<td>lb</td>
<td>0.0055</td>
<td>0.0275</td>
<td>0.0295</td>
<td>0.0305</td>
<td>0.0315</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lentils</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0227</td>
</tr>
<tr>
<td>Safflower</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0155</td>
</tr>
<tr>
<td>Mustard</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LG. CK pea</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0044</td>
</tr>
<tr>
<td>SM. CK pea</td>
<td>lb</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

*USDA projections as of 5-10-2019.

Every year, more covered commodities have provided PLC payments.

2018 Farm Bill – PLC Payment Yield can be Updated

- Land owner decision.
- One time option to update (or maintain the existing) PLC payment yield for each covered commodity.
  
  90% x average farm yield for the 2013-2017 crop years x National Yield Ratio.
  
  * Exclude any of the years 2013-2017 from the average when zero acres were planted to the commodity.
  - Use the higher of the farm yield or 75 percent of the average county yield for each of the years 2013-2017.

  
  National yield ratio can not be less than 90% or greater than 100%.

- Updated payment yields will commence with the 2020 crop year.

Estimated National Yield Ratios for Updating PLC Yields

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Actual Ratio</th>
<th>Farm Bill Ratio</th>
<th>(0.9-1.0)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>0.95</td>
<td>0.95</td>
<td></td>
</tr>
<tr>
<td>Canola</td>
<td>0.94</td>
<td>0.94</td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>0.87</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>Flaxseed</td>
<td>0.95</td>
<td>0.95</td>
<td></td>
</tr>
<tr>
<td>Lentils</td>
<td>1.00</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Mustard Seed</td>
<td>0.94</td>
<td>0.94</td>
<td></td>
</tr>
<tr>
<td>Dry Peas</td>
<td>0.99</td>
<td>0.99</td>
<td></td>
</tr>
<tr>
<td>Safflower</td>
<td>1.05</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Sorghum</td>
<td>0.88</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>Soybeans</td>
<td>0.87</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>Sunflower Seed</td>
<td>0.94</td>
<td>0.94</td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>0.96</td>
<td>0.96</td>
<td></td>
</tr>
</tbody>
</table>

PLC Revisions

- Payment Yield Update
  
  All farms have an opportunity to update yields, not just drought counties.

  \[
  \text{Payment Yield} = 90\% \times \frac{(2013 - 2017) \text{ average yield}}{(2008 - 2012) \text{ national average yield}}
  \]

  Formula provides for yield update, but uses ratio of national yield levels to back up payment yields to 2008-2012 general yield levels, subject to a limit on the ratio of not less than 90% nor more than 110%

  Benefit primarily to farms with below average farm yields in the 2008-2012 period utilized for the last payment yield update (90% of 2008-2012 average yield)
Title I – Commodity Programs

Marketing Assistance Loan Program
• Price safety net
• Applies to production
• Loan Deficiency Payment (LDP)
  (County loan rate – posted county price = payment/unit)
• Loan rates are low, not an ‘active’ price support in recent years
• Putting crops under loan has been useful cash flow tool

National Loan Rates

<table>
<thead>
<tr>
<th>Crops*</th>
<th>Unit</th>
<th>2014 Farm Bill</th>
<th>2018 Farm Bill</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu</td>
<td>2.94</td>
<td>3.38</td>
<td>15%</td>
</tr>
<tr>
<td>Soybean</td>
<td>bu</td>
<td>5.00</td>
<td>6.20</td>
<td>24%</td>
</tr>
<tr>
<td>Corn</td>
<td>bu</td>
<td>1.95</td>
<td>2.20</td>
<td>13%</td>
</tr>
<tr>
<td>Barley</td>
<td>bu</td>
<td>1.95</td>
<td>2.50</td>
<td>28%</td>
</tr>
<tr>
<td>Oats</td>
<td>bu</td>
<td>1.39</td>
<td>2.00</td>
<td>44%</td>
</tr>
<tr>
<td>Sorghum</td>
<td>bu</td>
<td>1.95</td>
<td>2.20</td>
<td>13%</td>
</tr>
<tr>
<td>Other Oilseeds**</td>
<td>cwt</td>
<td>10.09</td>
<td>10.09</td>
<td>0%</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>cwt</td>
<td>5.40</td>
<td>6.15</td>
<td>14%</td>
</tr>
<tr>
<td>Lentils</td>
<td>cwt</td>
<td>11.28</td>
<td>13.00</td>
<td>15%</td>
</tr>
<tr>
<td>Lg. Chickpea</td>
<td>cwt</td>
<td>11.28</td>
<td>14.00</td>
<td>24%</td>
</tr>
<tr>
<td>Sm. Chickpea</td>
<td>cwt</td>
<td>7.43</td>
<td>10.00</td>
<td>35%</td>
</tr>
</tbody>
</table>

*Upland cotton, rice, peanuts, wool, mohair and honey also have loan rates.
**Sunflower, canola, flax, safflower, mustard, rapeseed, crambe, sesame

Program Decisions

• Payment Yield Update
  • Look to prove 2013-2017 production then consider whether payment yield update will be beneficial

• ARC v. PLC Decisions
  • Decision in 2019 for 2019-2020 program year
  • Annual decision beginning in 2021
    • Change in enrollment only needed to change decision

• Analyzing program changes and analyzing market expectations
  • Improvements to ARC and PLC payment yields
  • Market price expectations affect ARC v. PLC comparison and decision

Farm Income Safety Net

Corn Prices, PLC, and ARC Price Protection*

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-WASDE and USDA-OCE.
**Farm Income Safety Net**
Soybean Prices, PLC, and ARC Price Protection*

* Price projections for 2018-2023 from USDA-WAOB and USDA-FSA as of December 2018. Price projections for 2019-2023 from USDA-OCE as of December 2018. 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 2018-2023 from USDA-WAOB and USDA-FSA as of December 2018. Price projections for 2019-2023 from USDA-OCE as of December 2018. 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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**Dairy Program Revisions**

- Margin Protection Program (MPP) revised to Dairy Margin Coverage (DMC)
  - Increased margin coverage levels available
  - Decreased premiums for lower production and margin levels
  - Increased coverage options available from 5% to 95% of production
- Affects role of LGM-Dairy as well

**Livestock Gross Margin (LGM)**

- Removed livestock capacity limitations
Livestock Risk Protection (LRP)

- Expanded for swine, fed and feeder cattle to all states
- Increased subsidy from 13 percent for all coverage levels to a range of 20 to 35 percent
- Increased per head and annual head limits: fed cattle and feeder cattle 3,000 head per endorsement and 6,000 head annually; swine 20,000 per endorsement and 75,000 annually

Crop Insurance Revisions

- Multi-county enterprise units
- Sugar-beet reporting by pounds of raw sugar
- SCO, PLC looks to be popular

Conservation Program Revisions

- CRP
  - Increased enrollment cap from 24 million to 27 million
  - Reduced rental rate cap to 90% (continuous) or 85% (general) of county average rental rates
- Working lands (EQIP and CSP)
  - Repealed existing CSP, maintaining authority only to service existing contracts
  - Combined CSP into same section as EQIP
  - Less total funding for combined EQIP and CSP programs
- Easements (ACEP) and regional partnerships (RCPP)
  - Disappearing funding restored

Conservation Reserve Program

Enrolled Acreage and Caps
Conservation Reserve Program
Enrolled Acreage and Corn Prices

Sources: USDA-FSA and USDA-NASS

NDSU Extension

Conservation Program Payments

Sources: USDA-ERS, USDA-FSA, USDA-NRCS, and author calculations

NDSU Extension

Program Decisions

- CRP
  - Increased opportunity for both continuous and general enrollment
  - Pilot programs for both short (3-5 year) and long-term (30 year) enrollments
  - Economics of CRP enrollment changing
    - Crop economics v. grazing economics v. CRP enrollment at reduced rates

- Working Lands Programs
  - Revised EQIP and CSP opportunities, but also less total funding

NDSU Extension

North Dakota Base Acres, by Crop, Under the 2014 Farm Bill

Sources: USDA-FSA, USDA-NRCS, and author calculations

NDSU Extension
North Dakota Base Acre ARC/PLC Election (%), Under the 2014 Farm Bill

Base Acres Vary by County

Crop | Cast | Cavalier
--- | --- | ---
Wheat | 116,498 | 404,026
Soybean | 465,763 | 42,928
Corn | 290,057 | 3,319
Canola | 49 | 292,974
Barley | 10,054 | 40,044
Sunflower | 8,010 | 8,015
Oats | 438 | 779
Flax | 14 | 9,337
Peas | 42 | 1,338
Mustard | 0 | 345

Trade Assistance from USDA  MFP 1.0

- Market Facilitation Program
  - Direct payments to producers of selected commodities impacted by trade losses
  - Initial payments of $4.7 billion on 50% of 2018 production
  - Shelled almonds and fresh sweet cherries added to direct payments (from original food purchase announcement)
  - Second round of payments added on remaining 2018 production
- Food Purchase and Distribution Program
  - Government purchases of selected commodities for distribution through food assistance programs
  - Initial target of $1.2 billion in purchases
- Agricultural Trade Promotion Program
  - Cost-share assistance to organizations for trade promotion efforts such as advertising, public relations, point-of-sale demonstrations, trade fairs/exhibits, market research, or technical assistance
  - Initial commitment of $200 million

Trade Assistance from USDA  Market Facilitation Program

<table>
<thead>
<tr>
<th>Commodity</th>
<th>First and Second Round Total Payment Rate (on 100% of production)</th>
<th>Estimated Total Payments ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$0.01/bu</td>
<td>$192</td>
</tr>
<tr>
<td>Cotton</td>
<td>0.06/lb</td>
<td>553.8</td>
</tr>
<tr>
<td>Dairy (milk)</td>
<td>0.12/cwt</td>
<td>254.8</td>
</tr>
<tr>
<td>Pork (hogs)</td>
<td>8.00/head</td>
<td>580.6</td>
</tr>
<tr>
<td>Sorghum</td>
<td>0.86/bu</td>
<td>313.6</td>
</tr>
<tr>
<td>Soybeans</td>
<td>1.65/bu</td>
<td>7,259.4</td>
</tr>
<tr>
<td>Wheat</td>
<td>0.14/bu</td>
<td>238.4</td>
</tr>
<tr>
<td>Shelled Almonds</td>
<td>0.03/lb</td>
<td>63.3</td>
</tr>
<tr>
<td>Fresh Sweet Cherries</td>
<td>0.16/lb</td>
<td>111.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$9,567.4</td>
</tr>
</tbody>
</table>
Key Points on 2019 MFP 2.0

- **Single rate of payment per county**
  - A composite of what was planted in the county previously will determine the per acre payment on 2019 acres.

- **Decoupled from actual production in year 2019**
  - Rates will only vary at the county level depending upon typical crop mix in the county, and county yields. Last year payment rates were higher/lower depending upon both actual production, and the crop planted.

- **Will not cover prevent plant acres**
  - Farmers electing to take prevent plant are not eligible for a payment from MFP on the acres where prevent plant was taken. Prevent plant does not however disqualify remaining acres that were planted with one of the listed MFP covered crops.

- **Payment likely skewed to the 1st payment, subsequent payments likely lower**
  - 1st round of payments 50% total amount being allocated. Should a trade deal be reached prior to the 2nd or 3rd payments, those remaining payments may not occur.

- **County payment calculations**
  - Historical county acres (2015-18) times historical county yields (2015-17) for all eligible crops in the county times the "damage" rate for each crop. All divided for historical acres.
  - Rates used: soybeans $2.05, corn $0.14, wheat $0.41
  - $15 per acres is the minimum rate, $150 per acre is the maximum rate

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Sequestration

- The Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, requires a reduction in payments, also known as sequester.
- Sequestration can vary by Federal Fiscal Year (Oct 1. – Sept. 30)
  - 6.9% - FY2017 (Oct 1, 2016 - Sept. 30, 2017)
  - 6.6% - FY2018 (Oct 1, 2017 - Sept. 30, 2018)
  - 6.2% - FY2019 (Oct 1, 2018 - Sept. 30, 2019)

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WHIP+

All producers with Yield Protection and Revenue Protection policies will receive a 10% top-up payment on their prevented plant indemnity payments.

Producers whose plans include the Harvest Price Option will receive an additional 5%. This Harvest Price Option is included in all Revenue Protection policies unless a producer has chosen to opt-out.

Producers do not need to take any action to receive these payments, as all AIPs will automatically issue payments based on each producer’s individual crop insurance policy.
Average Net Farm Income
ND Farm Business Management, Excluding RRV

Net Farm Income Excluding Gov’t Pymts.
ND Farm Business Management, Excluding RRV

Percent of Net Farm Income From Government Payments
ND Farm Business Management, Excluding RRV

U.S. Farm Program Payments
Sources: USDA-ERS and author calculations.
### U.S. Net Farm Income

![Graph showing Net Farm Income (Less Govt Pay) and Government Payments from 1970 to 2015.](image)

Sources: USDA-ERS and author calculations.

### Program Decisions

- **ARC v. PLC Decisions**
  - Under stable, lower price levels, PLC support will kick in before ARC support for downward price movement.
  - Under modestly increasing price levels, ARC and PLC support may quickly disappear.
  - Under substantially higher prices, moving average price in ARC benchmark and moving average price in PLC effective reference price could ratchet up support to near equivalent levels.

### Farm Program Payments and Outlook

- **2014 Farm Bill programs**
  - 2017 program provided reduced support in October 2018.
  - 2018 program expected to provide little support in October 2019.

- **2018 Farm Bill programs**
  - 2019 program will provide support in October 2020.

- **Trade assistance program**
  - Market Facilitation Payments 1.0 program provided substantial support in late 2018, early 2019.
  - Market Facilitation Payments 2.0 program provided substantial support in mid 2019, possibly late 2019 and early 2020.
Key Points

• Little farm program support for the 2018 crop to be paid in 2019
  • But a new farm program decision is coming in 2019 with support to be paid in 2020
  • And, trade assistance is providing some current support on selected 2018 production and 2019 eligible crops
• More policy uncertainty ahead
• Manage risks as part of a comprehensive strategy

2018 Farm Bill Bullet Points

• Can opt in and out of ARC and PLC each year after two years.
• ARC payments based on county where tract is located.
• RMA data first data choice for ARC rather than NASS.
• ARC plug yields increased from 70% to 80%.
• Commodity loan rates have increased from zero to 44%.
• Reference prices may float pending on commodity prices.

2018 Farm Bill Bullet Points

• FSA loan limits increased.
• Adjusted gross income limit remains at $900K.
• Dairy provisions offer higher coverage in Margin Protection Program.
• Hemp legalized.
• Hoof and mouth disease vaccine authorized.

http://www.ag.ndsu.edu/farmmanagement

Note in your handouts the 2018 ARC payments for North Dakota and Minnesota
Thank you,
Any Questions?

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