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IFES 2019: The Farm Bill 2018

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This is a presentation summary from the 2019 Illinois Farm Economics Summit (IFES) which occurred December 16-20, 2019. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available here.

It has been a year since Congress passed and the President signed into law the Agricultural Improvement Act of 2018 (the 2018 Farm Bill). In the 2018 Farm Bill, Congress reauthorized the basic farm programs, Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC), with minor modifications. Farmers have until March 15, 2020, to sign up for the program; a decision that will cover the 2019 and 2020 crop years. In addition, the 2018 Farm Bill reauthorized the conservation programs in Title II but with some significant changes. This presentation provides information and analysis about the programs of the 2018 Farm Bill.

Net cash income for farmers has fallen significantly since peaking in 2012 and 2013, according to the Economic Research Service (ERS) at USDA; Illinois farmers have experienced similar declines as farmers across the Nation. It is into this decline in net cash income that the federal government payments—both for farm programs and conservation programs—provide income-based assistance. For both Illinois farmers and farmers across the Nation, most of the income assistance comes from the farm program payments, with less than one-third from conservation programs; in 2018 and 2019, however, larger payments have been delivered through the Market Facilitation Program (MFP) created by USDA than from ARC and PLC created by Congress.

For Illinois, the Conservation Reserve Program (CRP) remains the largest conservation program in terms of the funding obligated and the number of acres under contract. It is followed by the Conservation Stewardship Program (CSP) and then the Environmental Quality Incentives Program (EQIP). Illinois farmers averaged $141 million per year (2014-2018) in CRP assistance (or 8.36% of the national average), $38 million per year (2014-2018) in CSP assistance (3.36% of the national average), and $18 million per year (2014-2018 average) in EQIP assistance (or 1.2% of the national average).

Most notably, the 2018 Farm Bill eliminated the CSP as a stand-alone program and combined it with EQIP. Prior to 2018, CSP had been an acreage-based program, with USDA instructed to add millions of acres each year. Farmers signed up for five year contracts to receive annual payments if they had enough conservation on their farms to qualify and they agreed to improve conservation over the life of the contract. EQIP is a cost-share program with farmers receiving a percentage of the cost of implementing a conservation practice; Congress funds it with a fixed amount each fiscal year which is then allocated to the States. Going forward, EQIP will split an increasing level of funding with stewardship contracts designed to be similar to CSP. Based on historic allocations to Illinois, this change could result in Illinois farmers losing $45 million in conservation funding for the life of the 2018 Farm Bill (2019-2023). Analysis of the changes in these programs awaits implementation by USDA’s Natural Resources Conservation Service (NRCS).

Farmers must choose between ARC and PLC by March 15, 2020. The 2018 Farm Bill provided that the initial decision will control the 2019 and 2020 crop years; farmers may revisit and change their program decision each of the remaining years of the 2018 Farm Bill (2021, 2022 and 2023). PLC continues to be a price-based program that triggers payments when Marketing Year Average (MYA) prices are below the fixed price point. One modification is that the 2018 Farm Bill includes a potential reference price escalator if 85% of the 5-year Olympic moving average of MYA prices for the commodity is above the fixed statutory reference price (e.g., $3.70 per bushel, corn; $8.40 per bushel, soybeans; $5.50 per bushel, wheat). Given low price levels in recent years and expectations for relatively lower levels in the coming years, this provision is not expected to impact the program. Landowners also have the option of updating program yields for PLC.

The 2018 Farm Bill continued the ARC program with a choice between county-level coverage (ARC-CO) and individual, all commodities level coverage (ARC-IC). For ARC-CO, this is a program crop decision and modifications include the use of a trend-adjusted county average yield in the benchmark calculation. This is expected to improve the yield portion of the benchmark. However, the lower price levels have lowered the benchmark revenue and, thus, expectations for payments from ARC-CO.

Most other aspects of these programs have not been revised. The Gardner Agriculture Policy Program and the *farmdoc* project, working in conjunction with the National Center for Supercomputing Applications (NCSA) at the University of Illinois, have developed a web-based ARC/PLC calculator for use to make the program decision. The calculator will estimate payments from ARC-CO and PLC based on county and modeling for each of the 2019 through 2023 crop years. The tool is available at: https://fd-tools.ncsa.illinois.edu/. Farmers are encouraged to use the tool to help make the program decision and a demonstration of it will be provided in the presentation.

Additional Resources

The slides for this presentation can be found at:
https://farmdoc.illinois.edu/ifes/2019-archive

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Schnitkey, G., C. Zulauf, K. Swanson, J. Coppess and N. Paulson. "The Price Loss Coverage (PLC) Option in the 2018 Farm Bill." *farmdoc daily* (9):178, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 24, 2019.

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Zulauf, C., B. Brown, G. Schnitkey, K. Swanson, J. Coppess and N. Paulson. "The Case for Looking at the ARC-IC (ARC-Individual) Program Option." *farmdoc daily* (9):203, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, October 29, 2019.