



## IFES 2019: Trade, MFP, and Policy Directions

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January 3, 2020

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Recommended citation format: Coppess, J. "IFES 2019: Trade, MFP, and Policy Directions." *farmdoc daily*, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 3, 2020.

Permalink: <https://farmdocdaily.illinois.edu/2020/01/ifes-2019-trade-mfp-and-policy-directions.html>

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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](#).*

A variety of trade actions undertaken by the Trump Administration have resulted in retaliation from various U.S. trading partners. Tariffs imposed on U.S. agricultural goods have negatively impacted export levels and commodity prices. To address these trade damages, the Administration has used Commodity Credit Corporation authority to provide support to farmers. The Market Facilitation Program, designed by the USDA and administered through the Farm Service Agency, has provided billions in trade aid over the past two crop years.

In 2018, MFP payments were tied to production using fixed commodity-specific payment rates for corn, cotton, sorghum, soybeans, wheat, hogs, and dairy. A total of \$10.6 billion in total funding was authorized for 2018. To date, just over \$9 billion in payments have been made to farmers.

For 2019, USDA's estimated trade damages for an expanded set of commodities which were translated to fixed payment rates per acre that varied by county. Farmers were then paid for each eligible planted and prevent plant acre. The 2019 version of the program has \$14.5 billion in authorized funding, with sizeable increases in support for the crops and livestock included in the 2018 program as well as the expansion to additional non-specialty and specialty crops. To date, more than \$10.3 billion has flowed to farmers in the first 2 (of 3) payment tranches for the 2019 crop year.

MFP support has helped to support farm incomes and improve the financial position of farms in 2018 and 2019. In fact, most economic estimates suggest that the level of MFP support in both years has more than offset the short-term damages associated with trade retaliation. However, there exist concerns over the longer-term implications of current trade policy and the unique nature of farm support via MFP. These include foregone export market growth and reduced U.S. global competitiveness, and the lasting reputation effects associated with U.S. trade policy moving forward.

The sheer size and mode of implementation of MFP raised concerns and questions for the future of ag policy. MFP support in 2018 and 2019 exceeds that provided by the programs included in the Farm Bill's commodity title (i.e. ARC/PLC, MLA, etc.), and could raise concerns at the WTO. While Farm Bill programs are approved through open, public debate in Congress, the Administration used unique authority to create and administer MFP in 2018 and 2019 which lacked complete transparency.

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Furthermore, the design of the MFP program effectively coupled support to production – directly in 2018 and indirectly in 2019. This represents a shift away from major policy efforts to decouple agricultural support dating back to the 1996 Farm Bill.

Finally, great uncertainty remains as well ahead to 2020 and beyond. Will there be an MFP 3 in 2020? The answer to that question could significantly impact farm incomes, particularly as producers begin to make management decisions for the 2020 crop year.

### **Additional Resources**

The slides for this presentation can be found at:

<https://farmdoc.illinois.edu/ifes/2019-archive>

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