farmdoc DAILY

Agricultural, Consumer & Environmental Sciences | University of Illinois Urbana-Champaign

Improving Contemporary Ad Hoc Economic Assistance

Carl Zulauf

Department of Agricultural, Environmental and Development Economics
Ohio State University

Jonathan Coppess, Nick Paulson, and Gary Schnitkey

Department of Agricultural and Consumer Economics
University of Illinois

January 31, 2025

***farmdoc daily* (15): 19**

Gardner Policy Series

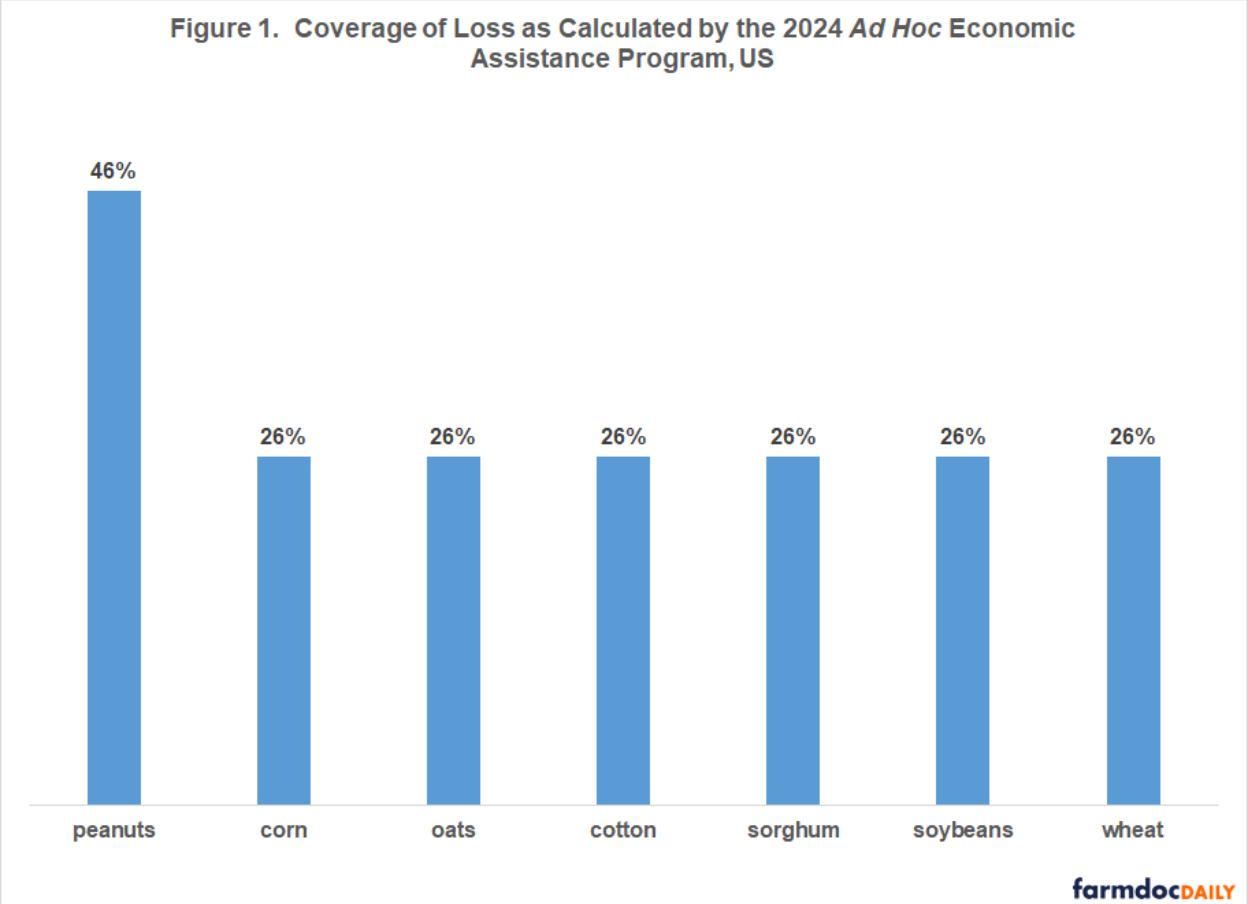
Recommended citation format: Zulauf, C., J. Coppess, N. Paulson, and G. Schnitkey. "Improving Contemporary Ad Hoc Economic Assistance." *farmdoc daily* (15): 19, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 31, 2025.

Permalink: https://farmdocdaily.illinois.edu/2025/01/improving-contemporary-ad-hoc-economic-assistance.html

An objective of the *ad hoc* economic assistance for 2024 crops contained in the *American Relief Act of 2024* is to provide more timely assistance for losses due to low crop prices and high production costs. According to the enacted legislation, *ad hoc* payments will be calculated using cost and price estimates for 2024 but historical yields for the most recent 10 crop years. Using historical yields creates a disconnect between 2024 assistance and 2024 economic stress, resulting in some crops being favored since a higher share of their 2024 loss is covered by the enacted assistance.

Enacted 2024 *Ad Hoc* Assistance

Table 1 in the January 7, 2025 *farmdoc daily* contains an estimate of enacted 2024 *ad hoc* economic assistance for the crops that USDA, ERS (US Department of Agriculture, Economic Research Service) calculates a cost of production. It also contains an estimate of economic loss using the procedures specified in the 2024 *ad hoc* legislation. For corn, oats, seed cotton, sorghum, soybeans, and wheat, the share of estimated loss covered by the estimated payment is 26%, the *ad hoc* program's specified coverage factor (see Figure 1). Coverage is higher for peanuts (46%) because a minimum assistance calculation applies to it.



NOTES: This analysis does not include barley and rice. Barley does not have an estimated loss using the *ad hoc* legislation's calculations. Assistance for short grain rice is left to the Secretary of Agriculture's discretion. The estimates in Figure 1 use 2015-2024 as the 10 most recent crop years.

Contemporary *Ad Hoc* Loss Assistance

Figure 1 implies that all crops in this analysis have the same coverage of losses except for peanuts. However, this coverage is estimated using an adjusted measure of 2024 loss based on 2024 prices and costs but historical yields. The program thus doesn't actually consider 2024 losses but instead uses an adjusted loss metric. The following calculations explore this disconnect in addressing 2024 losses.

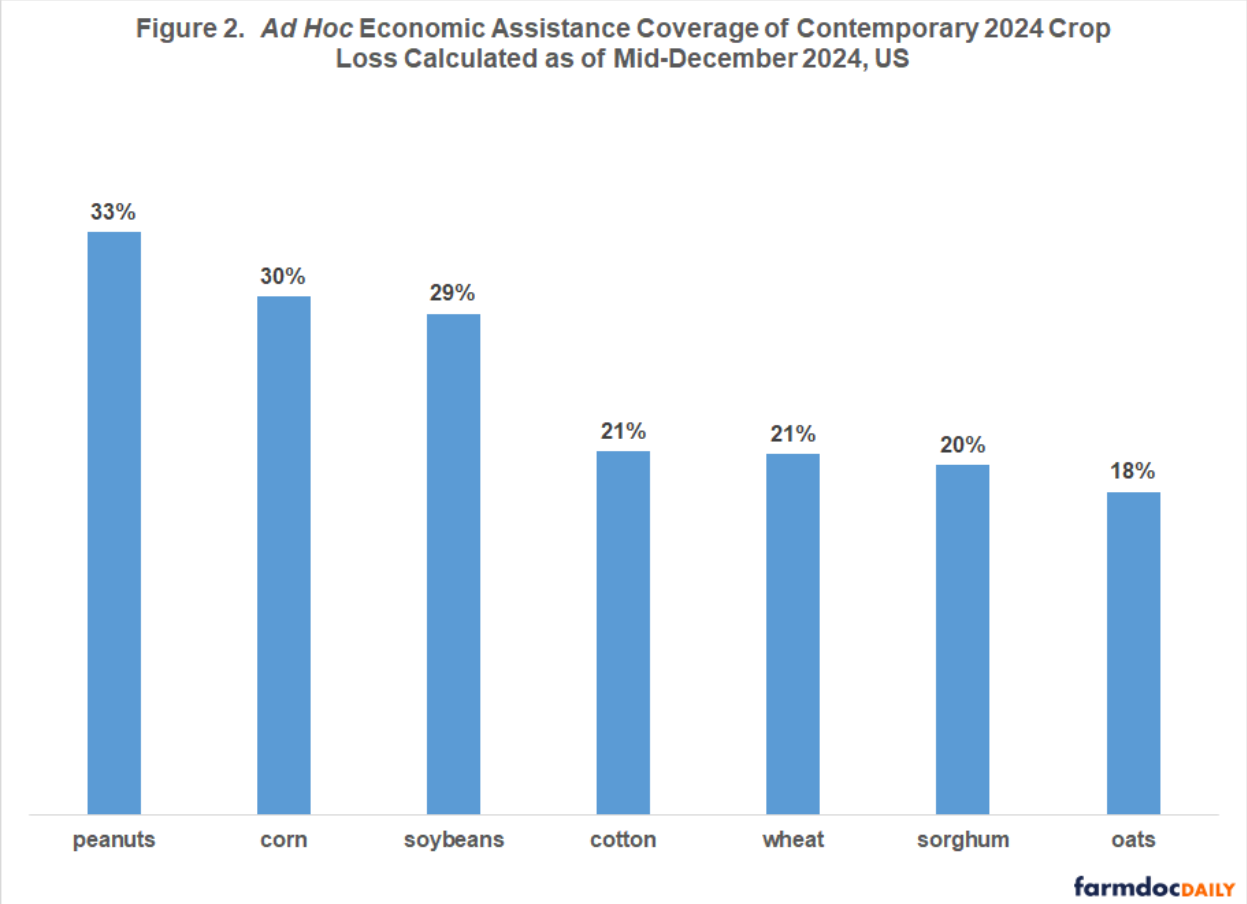
Coverage in Enacted Legislation = payment calculated per passed language / adjusted loss metric

Coverage of 2024 Loss = payment calculated per passed language / 2024 loss metric

Adjusted loss metric = (10 year historical yield * 2024 price) less 2024 cost of production

2024 loss metric = (2024 yield * 2024 price) less 2024 cost of production

Table 1 at the end of this article contains the calculation of the 2024 loss metric using 2024 prices, yields, and costs available during mid-December 2024 when assistance was being finalized. In Figure 2, the estimated payment calculated per passed language (last column of Table 1) is expressed as a share of the 2024 loss metric. Estimated coverage differs between Figures 2 and 1. For the six crops in Figure 1 with 26% coverage, the enacted assistance covers from 18% (oats) to 30% (corn) of the crop's 2024 loss. The enacted program thus fails to cover the same share of 2024 losses across commodities. The difference in coverage is 12 percentage points.



Peanuts has the highest coverage in both Figures 1 and 2. It is the only crop in this study estimated to receive a minimum payment. The difference with the other crops is however smaller for the 2024 loss metric than for the adjusted loss metric.

Discussion

2024 *ad hoc* economic assistance was framed in the context of low 2024 prices and high 2024 costs.

Ad hoc assistance using 2024 values should best match *ad hoc* assistance with 2024 loss.

The decision to use historical yields rather than 2024 yields results in coverage of 2024 loss that varies by crop even though coverage is the same using 2024 *ad hoc* assistance calculations. 2024 *ad hoc* assistance thus creates inequities among crops in its coverage of 2024 losses.

The minimum level of assistance specified in the 2024 *ad hoc* program also creates inequities. It results in the highest coverage of 2024 losses among the crops in this study.

Inequities in 2024 *ad hoc* economic assistance relative to 2024 losses could have been minimized by using the same coverage level for losses calculated using 2024 values for all program parameters.

Table 1. Calculation of 2024 Loss by Crop as of Mid-December 2024, US

Crop	Production (million)[1,2] (Dec)	Market Year Price (Dec)	Gross Income (billion)	Planted Acres (million) (Dec)	Economic Cost per Acre (Dec)	Total Cost (billion)	Total Loss (billion)[3]	*Ad Hoc* Payment per acre (farmdoc)	Total *ad hoc* payment (billion)[4]
corn	16,286	$4.10	$66.8	90.7	$879	$79.8	-$13.0	$42.51	$3.9
oats	68	$3.40	$0.2	2.2	$524	$1.2	-$0.9	$77.66	$0.2
cotton	15,003	$0.347	$5.2	11.0	$895	$9.8	-$4.6	$87.26	$1.0
peanuts	6,512	$0.265	$1.7	1.8	$1,185	$2.1	-$0.4	$76.30	$0.1
sorghum	345	$4.10	$1.4	6.3	$437	$2.8	-$1.3	$42.58	$0.3
soybeans	4,461	$10.20	$45.5	87.1	$625	$54.5	-$9.0	$29.50	$2.6
wheat	1,971	$5.60	$11.0	46.1	$388	$17.9	-$6.8	$30.69	$1.4

1. Output units are bushels except for cotton and peanuts (pounds).
2. Corn and sorghum production includes an estimate of grain equivalent on land harvested for silage: average share of 2019-23 planted acres harvested for silage times 2024 corn yield and 2024 planted acres.
3. Total loss = gross income (market year price * production) - total cost (planted acres * cost/acre).
4. Total *ad hoc* payment = planted acres * *ad hoc* payment/acre.

SOURCES: Dec. 2024 USDA, NASS production, ERS cost, FSA market year price; Jan. 7, 2025 *farmdoc daily*

farmdocDAILY

References and Data Sources

Paulson, N., G. Schnitkey, C. Zulauf and J. Coppess. "Impacts of Economic Assistance Payments." *farmdoc daily* (15):4, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 7, 2025.

US Department of Agriculture, Economic Research Service. December 15, 2024. *Cost of Production*. https://www.ers.usda.gov/data-products/commodity-costs-and-returns/

US Department of Agriculture, Farm Service Agency. December 15, 2024. ARC and PLC Data: 2024 Market Year Average (MYA) Prices. https://www.fsa.usda.gov/resources/programs/arc-plc/program-data

US Department of Agriculture, National Agricultural Statistics Service. December 15, 2024. *QuickStats*. http://quickstats.nass.U.S.da.gov/