

2018 Farm Bill

Agriculture Improvement Act of 2018

Information Update for Washington

Aaron Esser, Randy Fortenbery and Shannon Neibergs

Farm Bill implications for Washington

- ARC and PLC choice review and outlook
 - 2018 Farm Bill timeframe
 - Review of Washington 2014 sign up decisions
 - Overview of 2018 Farm Bill
 - ARC and PLC program outlook
 - Yield updating
- Price and Trade Outlook
- Decision Tools
- Conservation Programs

Farm Bill Rules

2018 Farm Bill Rules



About Federal Rules

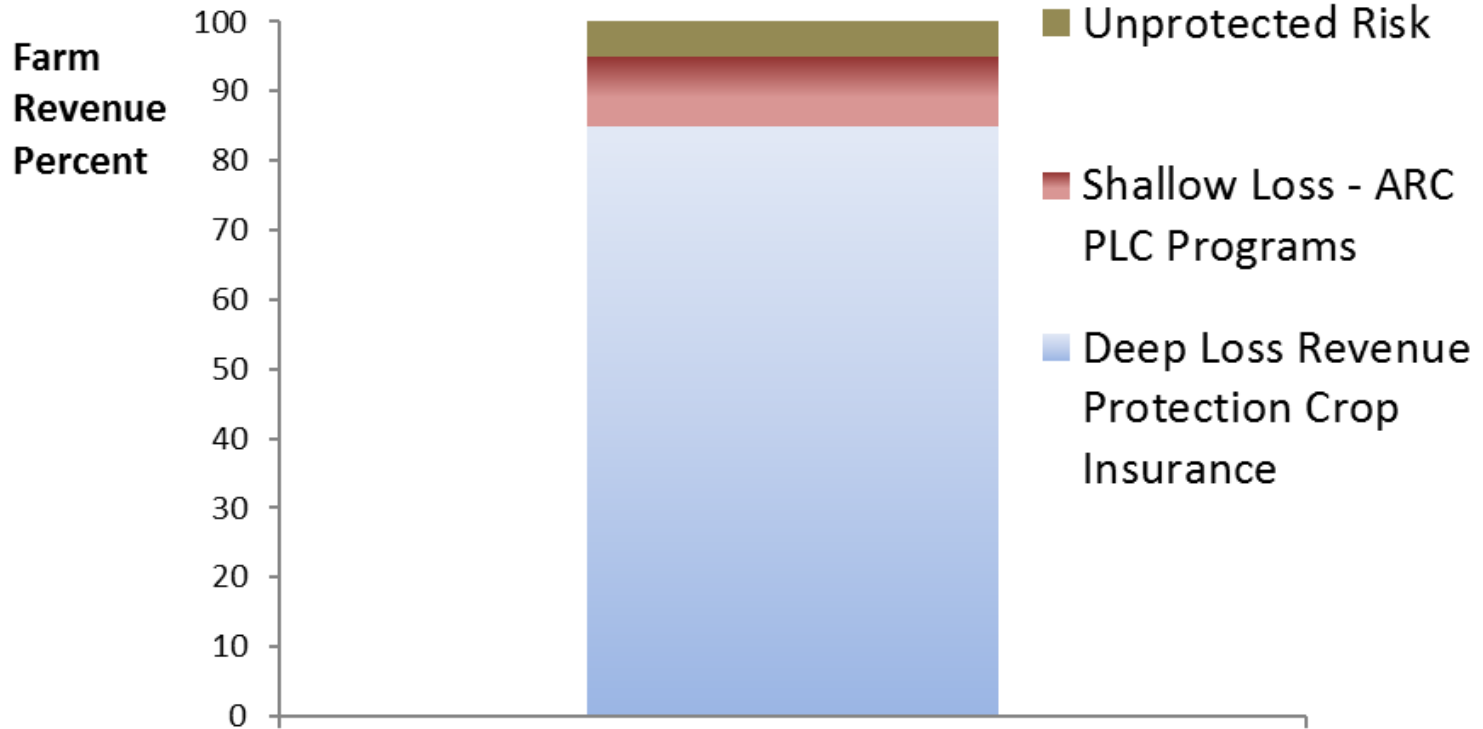
After legislation is passed by Congress and signed into law by the President, agencies publish rules in the Federal Register that explain how the legislation will be administered and implemented by the agency.

Important points and timeline

- The Farm Bill established the **legislative intent** of agriculture support programs (December, 2018)
- But the actual implementation of the programs **requires rules and regulations** be written by the affected agencies
- August 1, 2019 was the **estimated** date for final rules and regulations publication
- The sign-up opening date for ARC PLC commodity programs started **September 1**, 2019
- Ending dates for sign-up
 - **Election deadline** for both 2019 and 2010 is **March 15, 2020**
 - ***Without program election farm defaults to 2014 program***
 - 2019 Enrollment deadline is **March 15, 2020**
 - 2020 Enrollment deadline is **June 30, 2020**

Farm Bill Safety Net

Shallow Loss Program Magnitude



** Magnitude of shallow versus deep loss depends on ARC-PLC program choice and elected level of revenue insurance.*

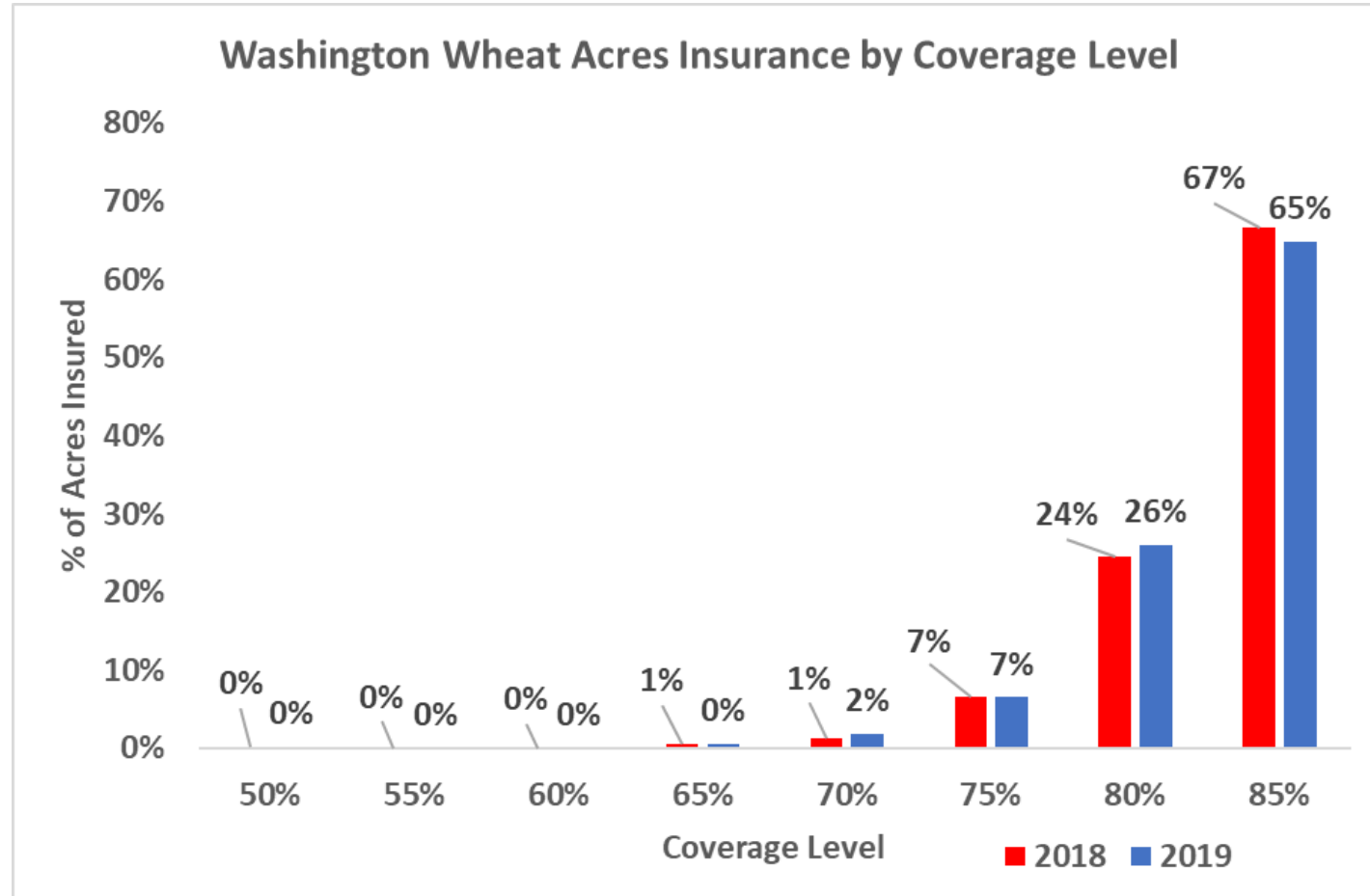
Washington Wheat Crop Insurance

Washington Wheat - Crop Insurance Enrollment

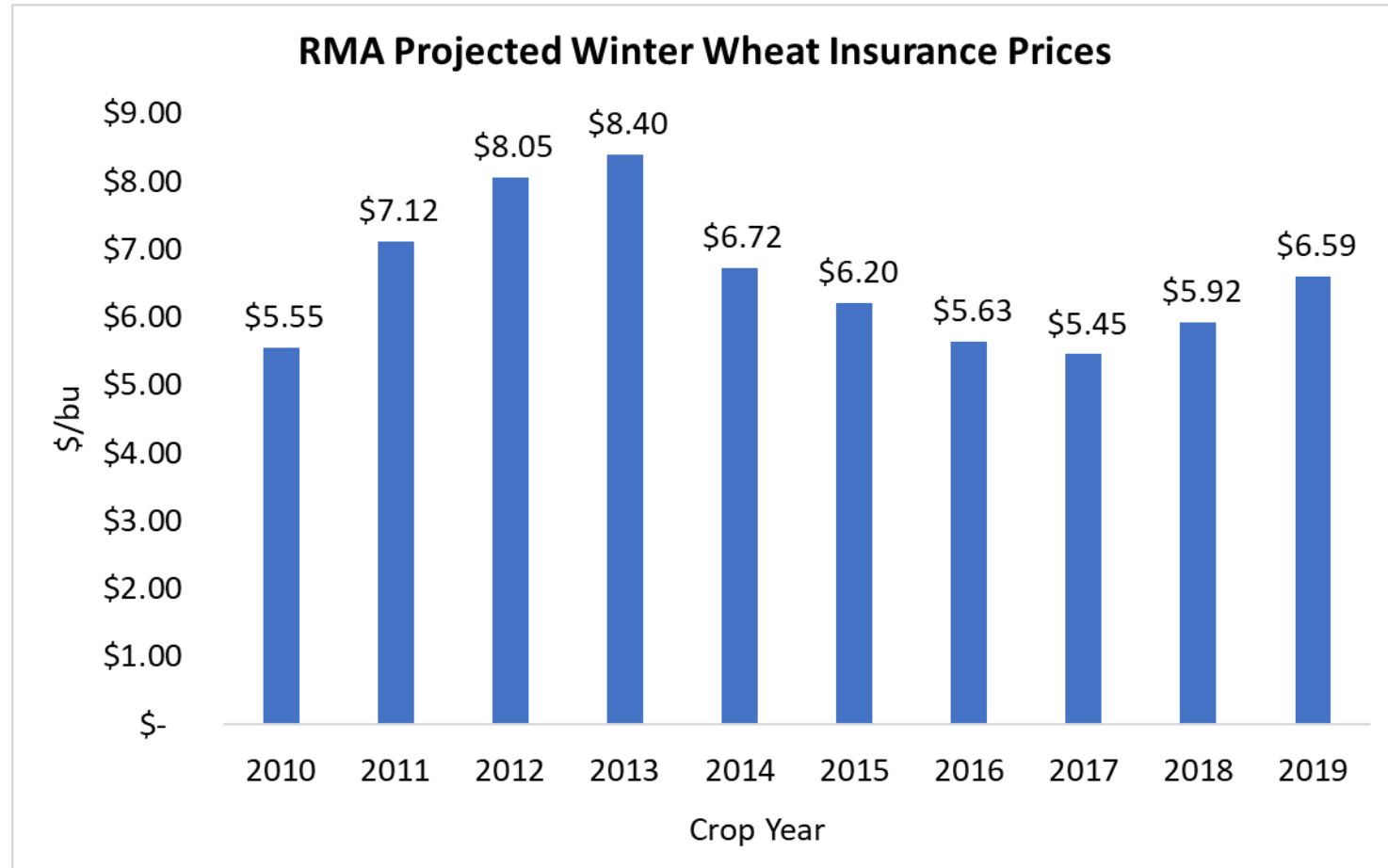
	2019	2018	2017
	Acres Enrolled		
Revenue Protection	1,703,451	1,804,067	1,832,045
Revenue Protection Harvest Price Exclusion	1,982	1,131	5,392
Yield Protection	207,491	191,576	169,359

<https://www.rma.usda.gov/SummaryOfBusiness>

Washington Elects High Coverage Level

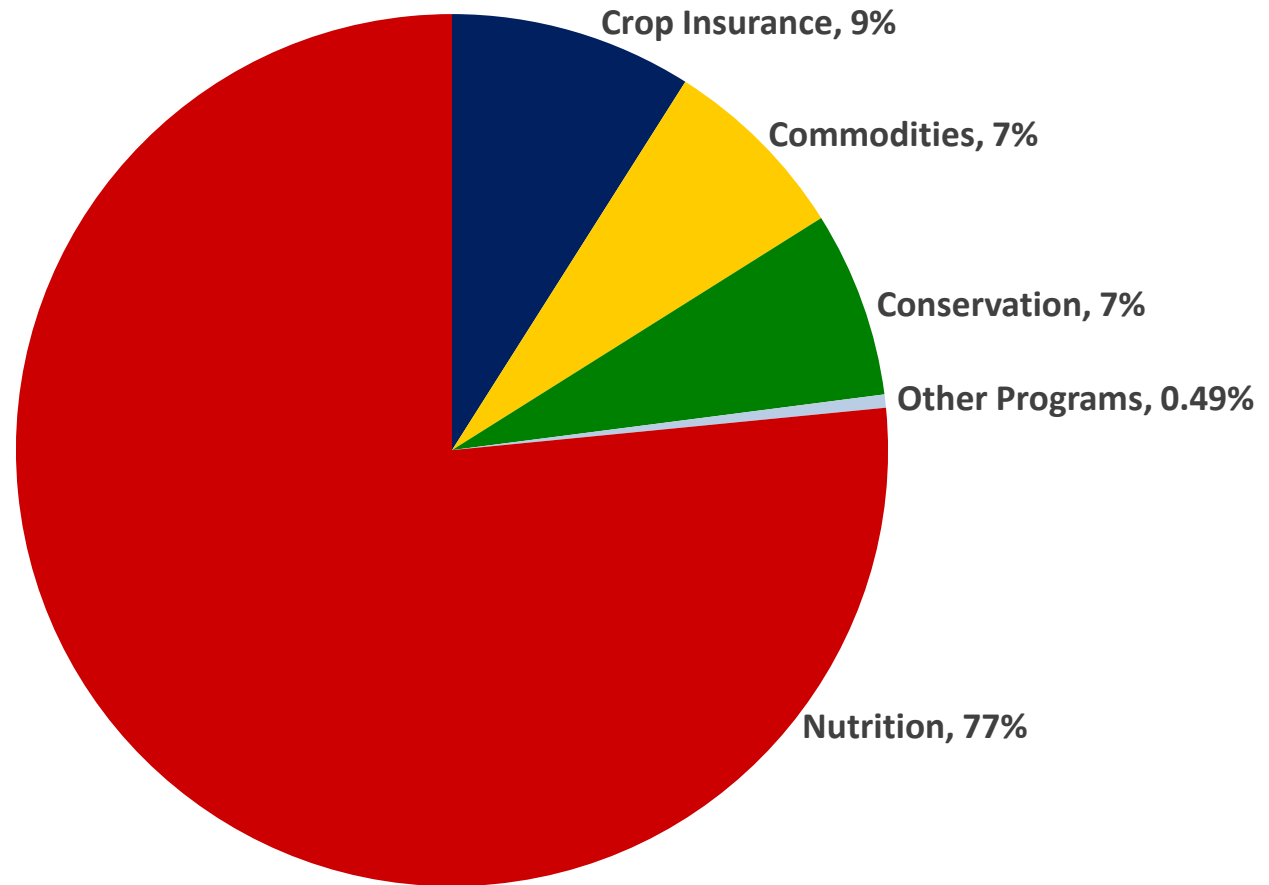


Washington Winter Wheat Insurance Price

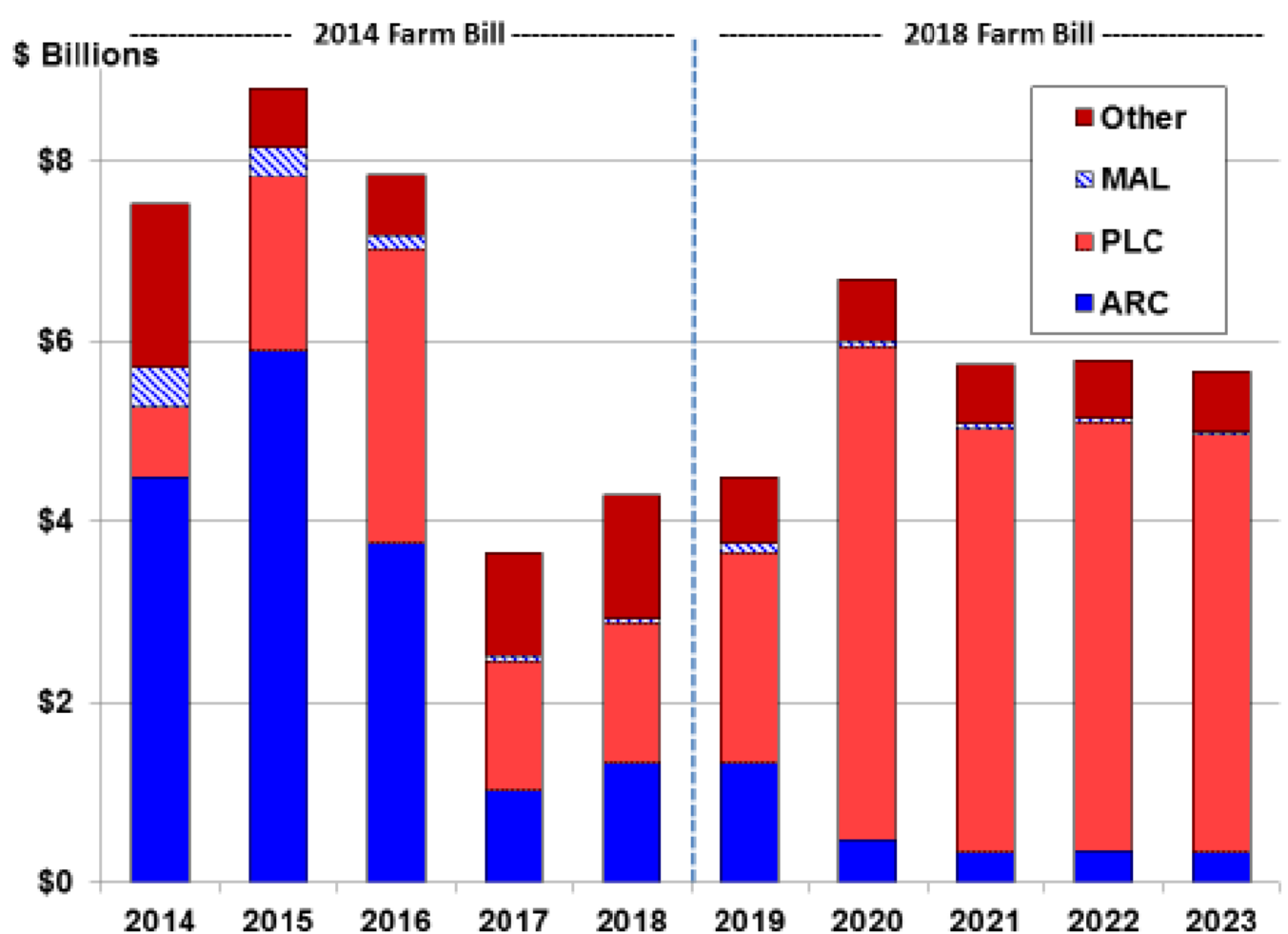


CBO Projected 2018 Farm Bill Budget

Projected Outlays, FY2019-2028



Commodity program outlays 2014 actual 2018 projected



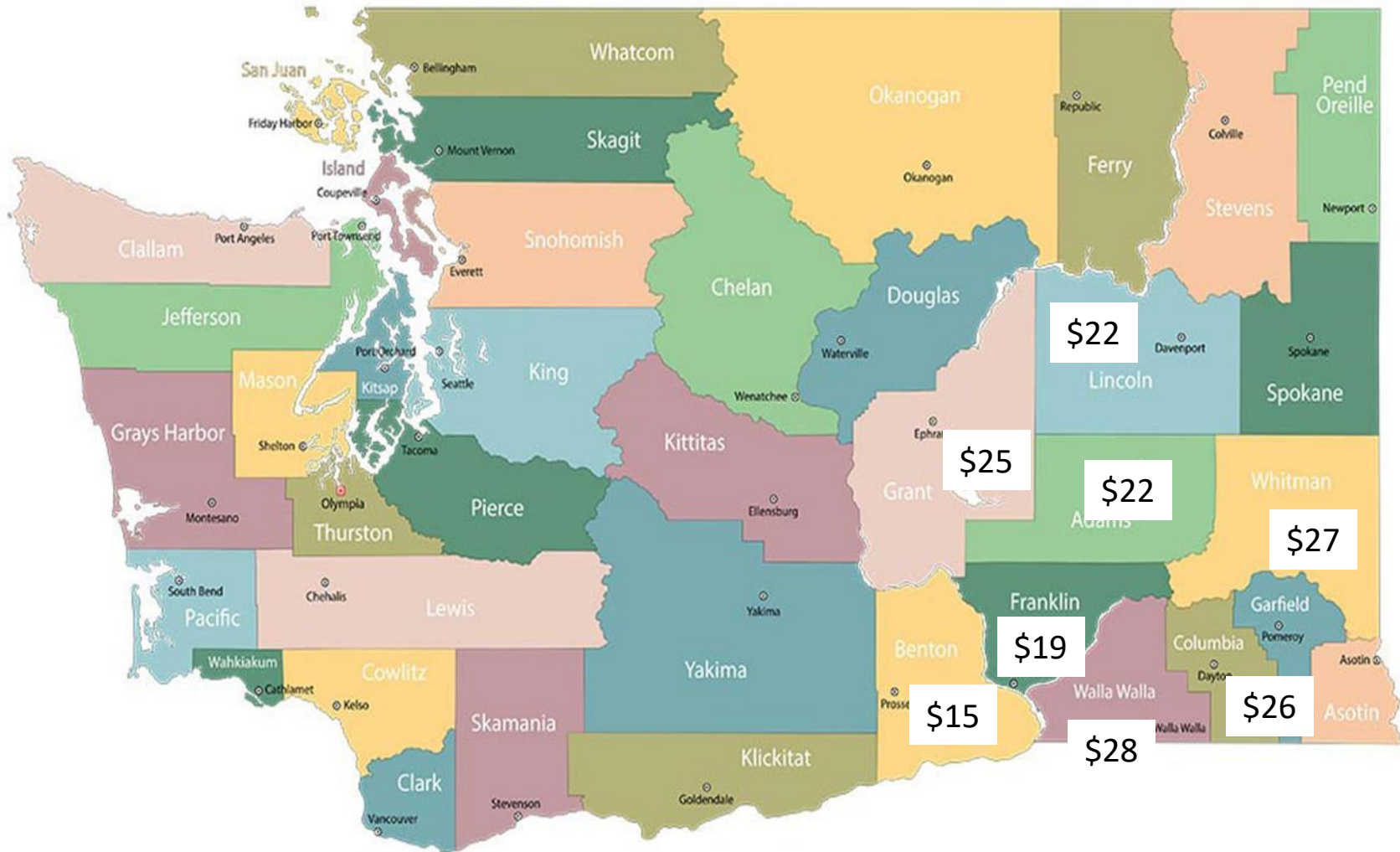
Market Facilitation Programs 2018 and 2019

- MFP payments to aid producers dealing with price impacts of trade disputes
- Authorized under Commodity Credit Corporation (not a Farm Bill program)
- 2018 authorized expenditures up to \$10.6 Billion
- 2019 authorized expenditures up to \$14.5 Billion
- Deadline for 2019 sign-up was December 6, 2019

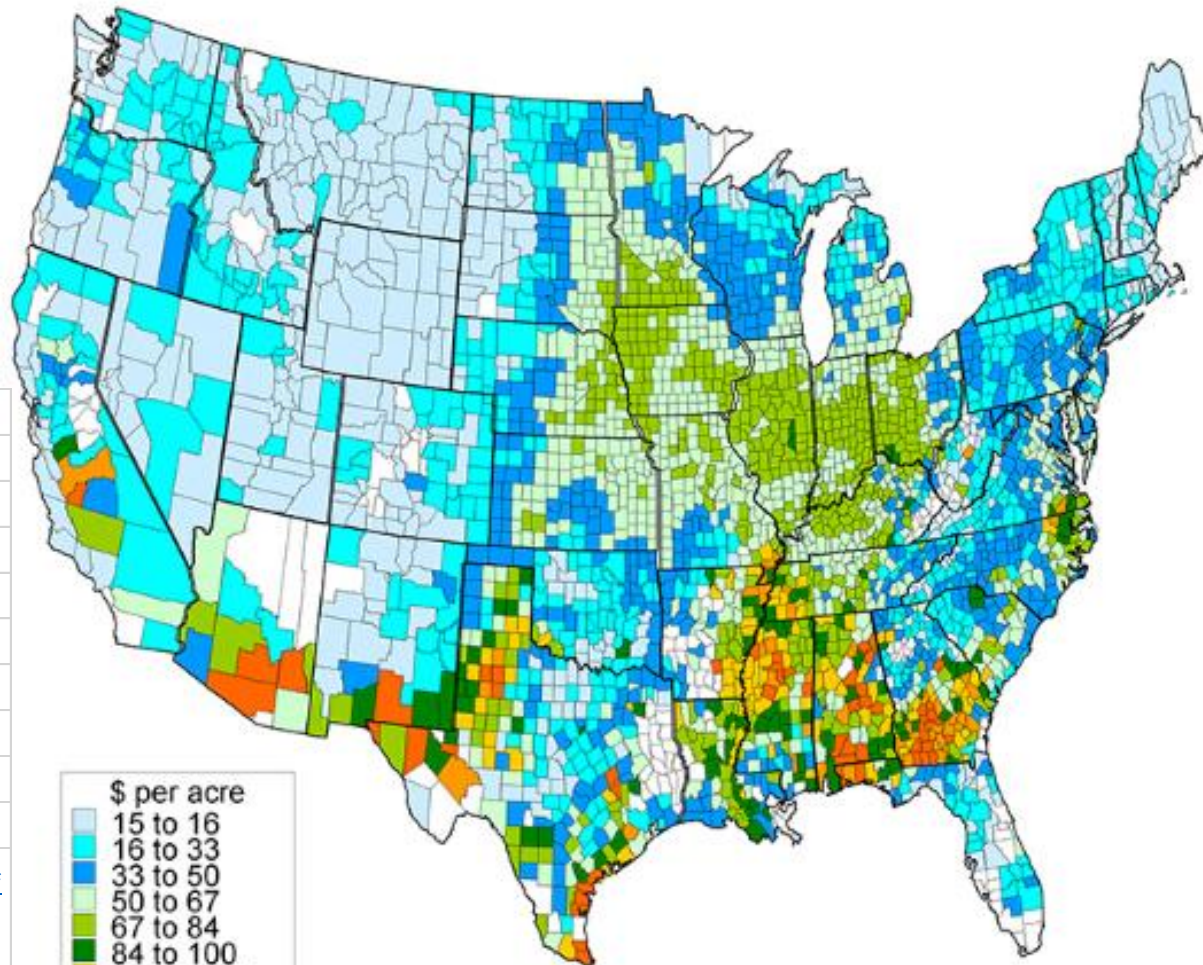
Market Facilitation versus Farm Bill Programs		
	Billions \$	
	MFP	Farm Bill
2018	10.6	4.3
2019	14.5	4.8
Total	25.1	9.1

- Farm payment limits increased in 2019 for MFP from \$125K to \$250K
- 2018 MFP targeted crops and 2019 MFP targets acre payment limits
- Trade damage estimates and MFP payment rates
https://www.usda.gov/oce/trade/USDA_Trade_Methodology_Report_2019.pdf
- Eligible crops include: alfalfa, barley, canola, corn, peas, lentils, chickpeas, wheat, plus others

2019 MFP Acre Payment Rates by County



2019 MFP Rates National Comparison \$/acre



MFP Payments	
	\$ Millions
Iowa	1,188
Illinois	1,090
Texas	812
Minnesota	804
Nebraska	719
California	180
Washington	69
Idaho	58

<https://www.farmers.gov/sites/default/files/documents/MFP%20Data%20-%202001062020.pdf>

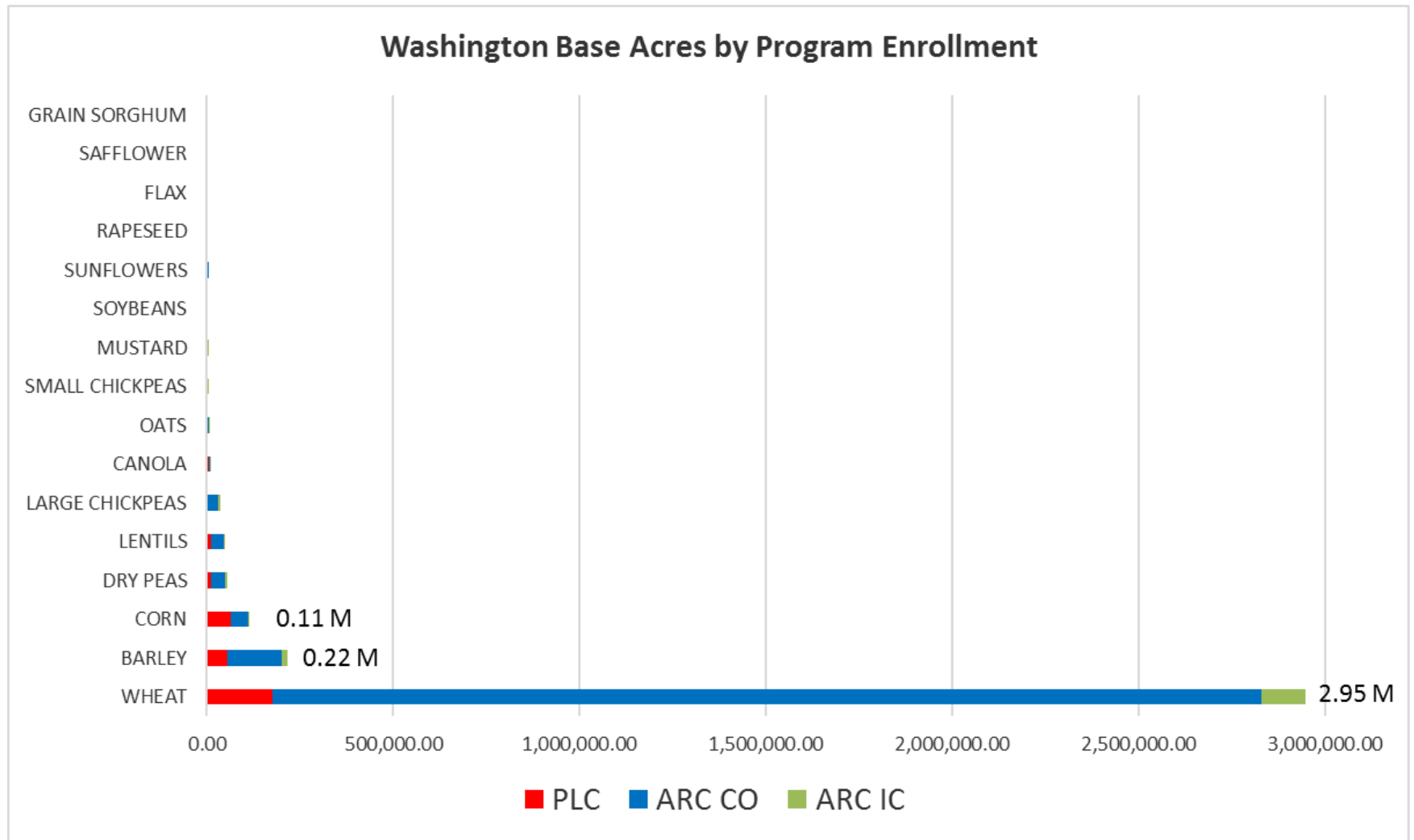
Source: Farm Service Agency, USDA



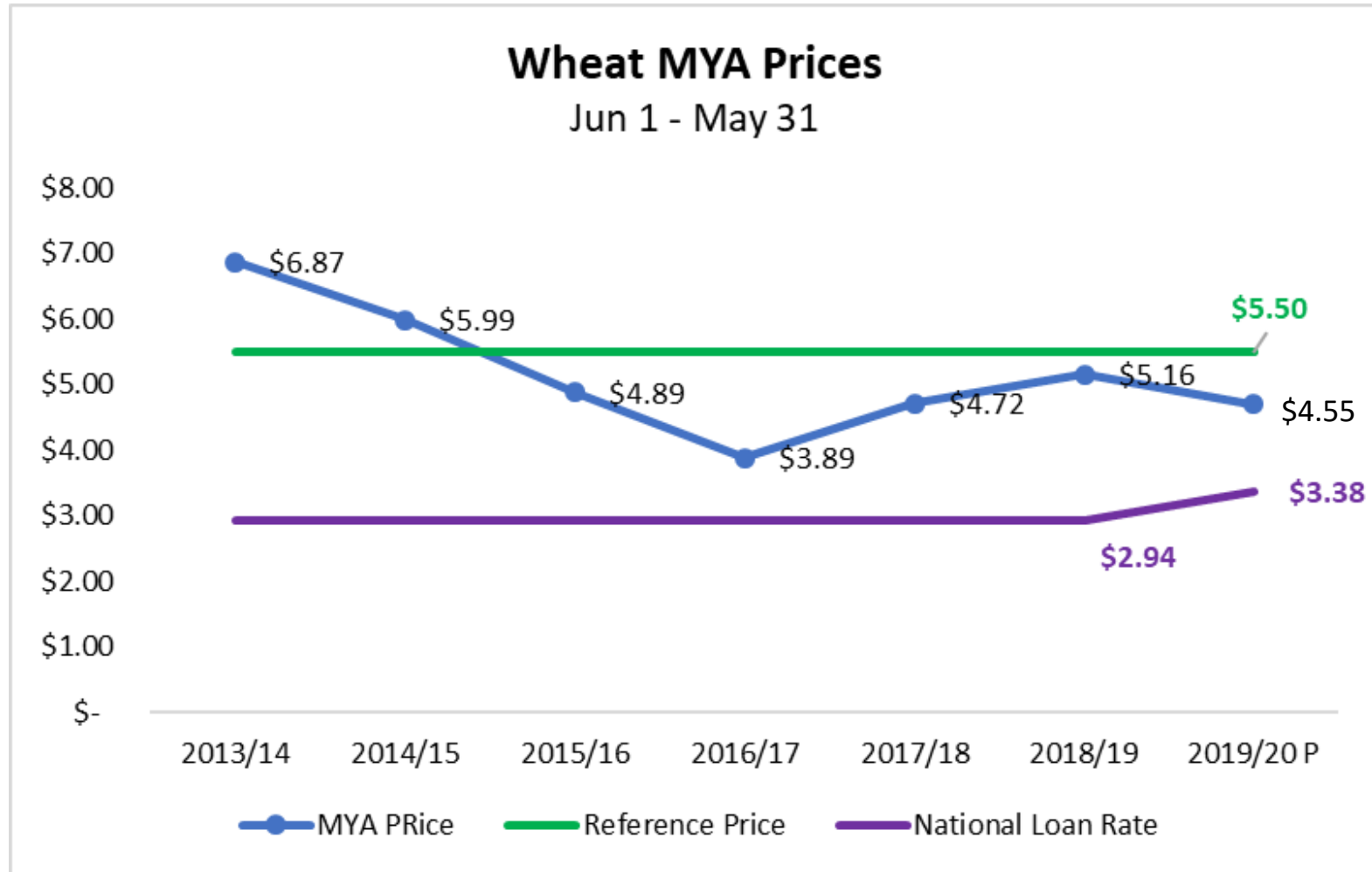
Summary of 2014 vs 2018 Farm Bill Changes

- Base acres will not change from 2014 Farm Bill enrollment
- ARC-CO or PLC initial decision for 2019 and 2020 program years. Annual re-enrollment for 2021, 2022 and 2023
- Payment Caps
 - ARC CO cap is 10% of County Benchmark Revenue (no change)
 - PLC also has a cap = \$5.50 reference price - \$3.38 loan rate = \$2.12/bu cap (no change)
 - National loan rate increased from \$2.94 to \$3.38
- 2018 Farm Bill introduces a reference price escalator
- ARC-county yields are based on data from the Risk Management Agency rather than data from the National Agricultural Statistics Service
- ARC-county yields are trend adjusted
- One-time opportunity to update PLC program payment yields that take effect beginning with the 2020 crop year

2014 Farm Bill Washington base acres

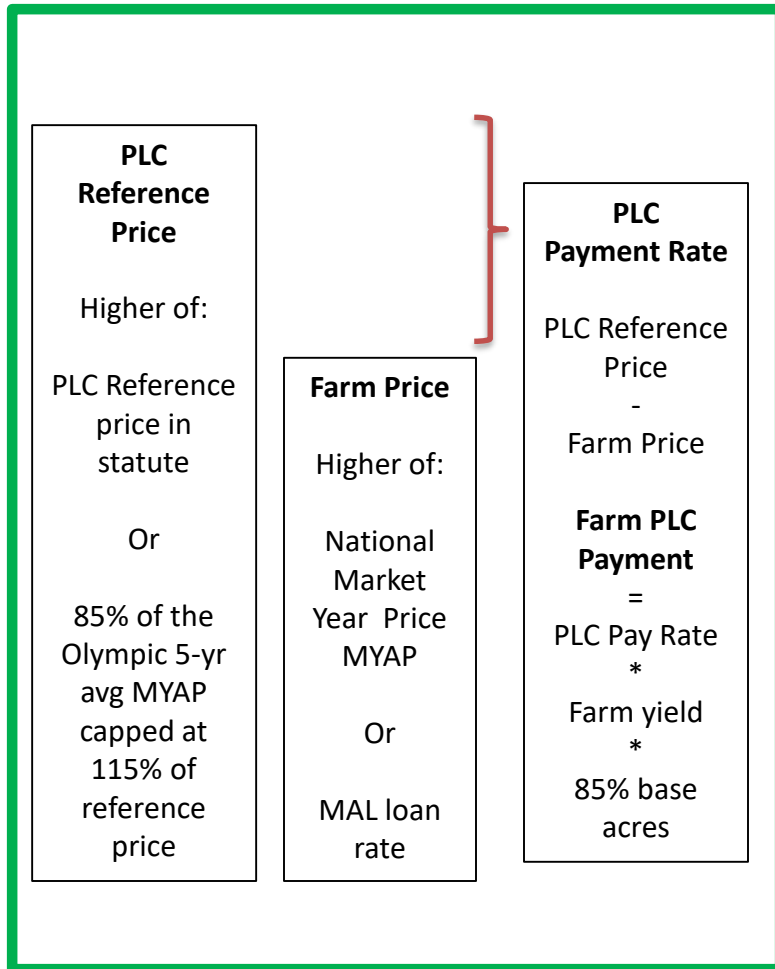


March 15 Deadline vs Marketing Year (June-May)



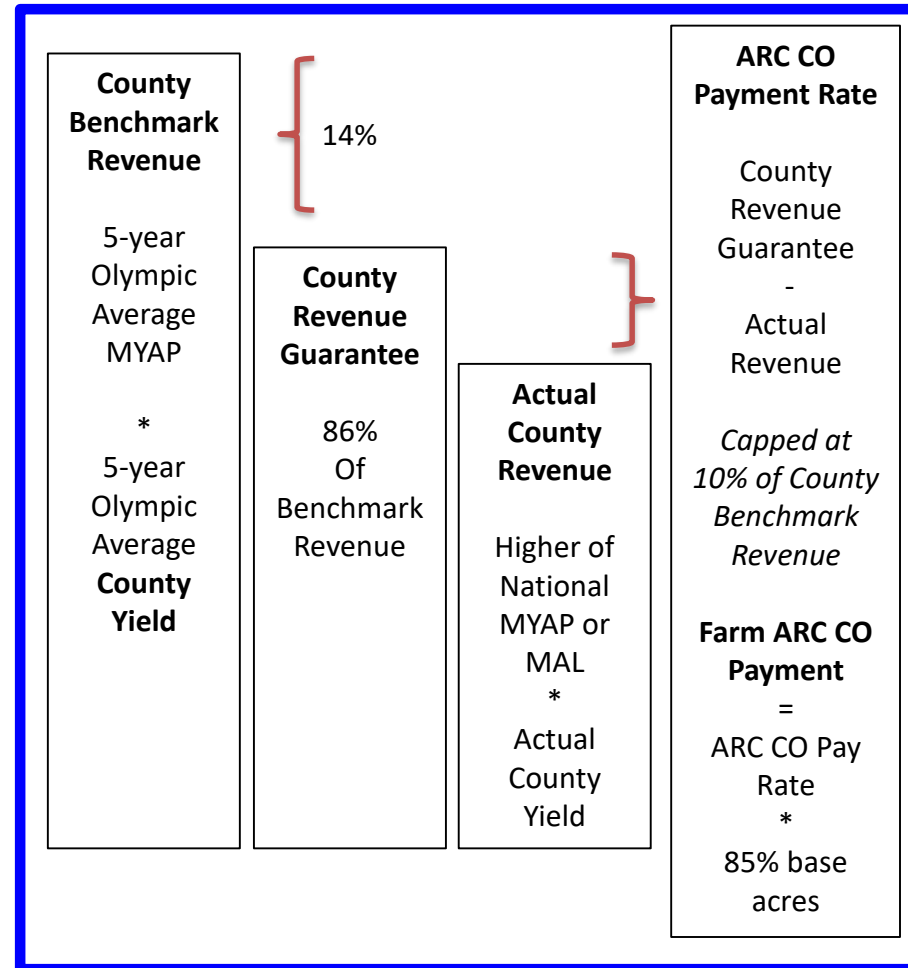
PLC and ARC CO payment formulas

PLC



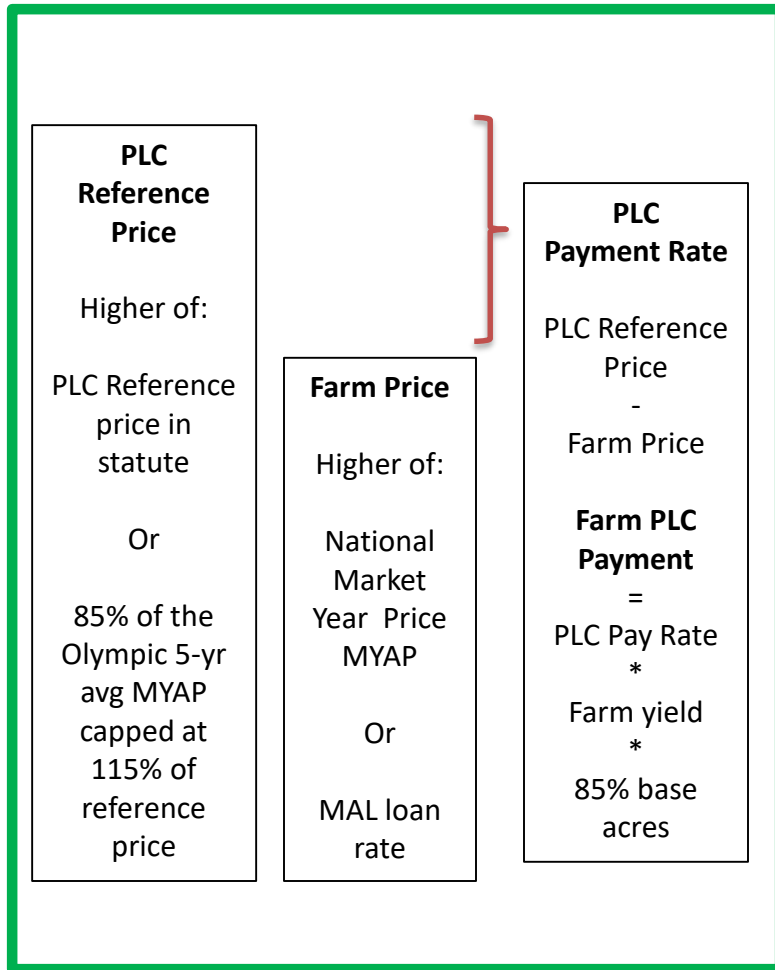
PLC and ARC CO payment formulas

ARC CO

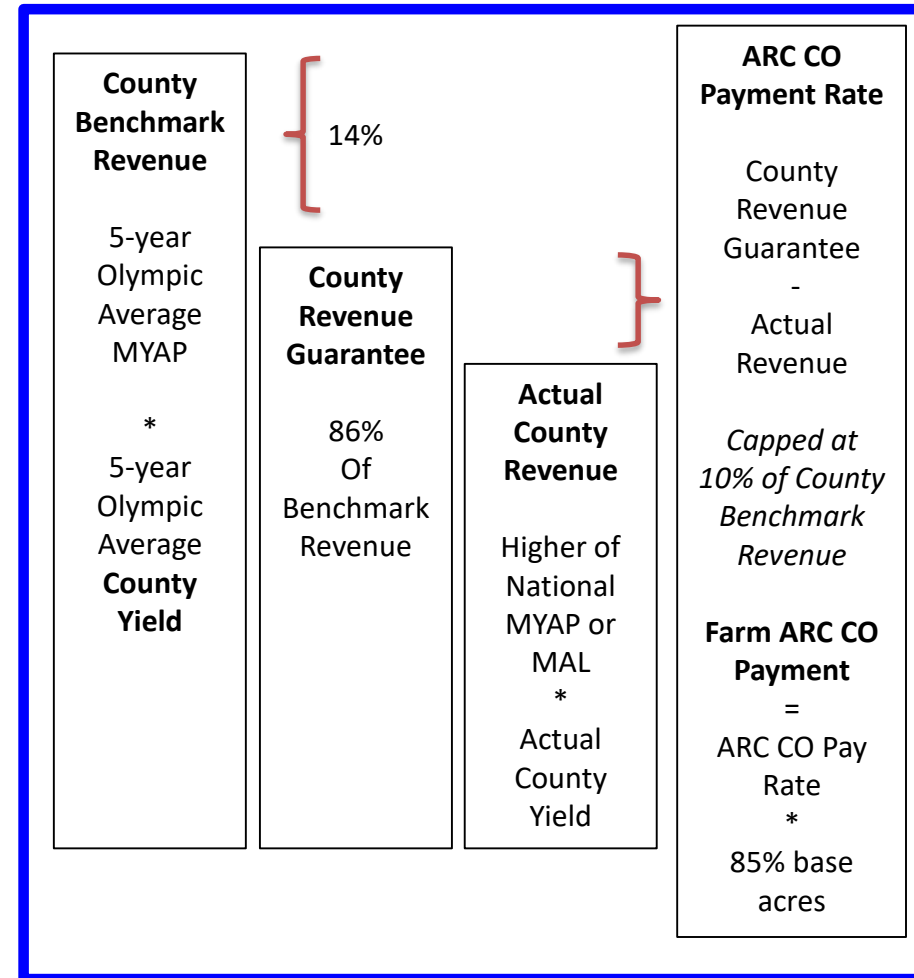


PLC and ARC CO payment formulas

PLC



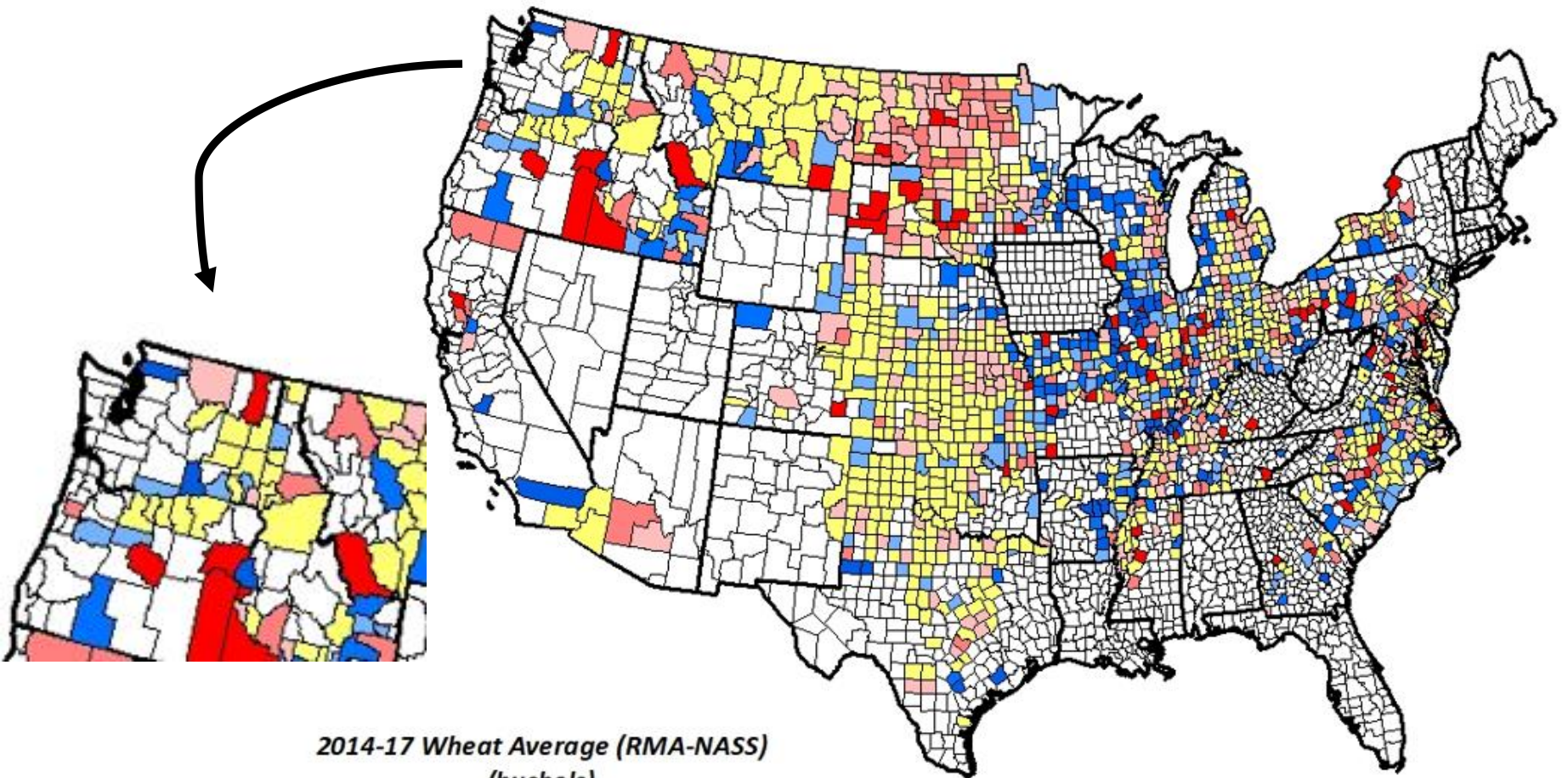
ARC CO



Change in ARC CO yield data

- 2014 Farm Bill ARC CO County yields
 - NASS
 - FSA supplied missing data
- 2018 Farm Bill ARC CO County yields
 - RMA crop insurance county yield data
 - Data used for yields will be made publicly available

Comparing RMA – NASS Yields

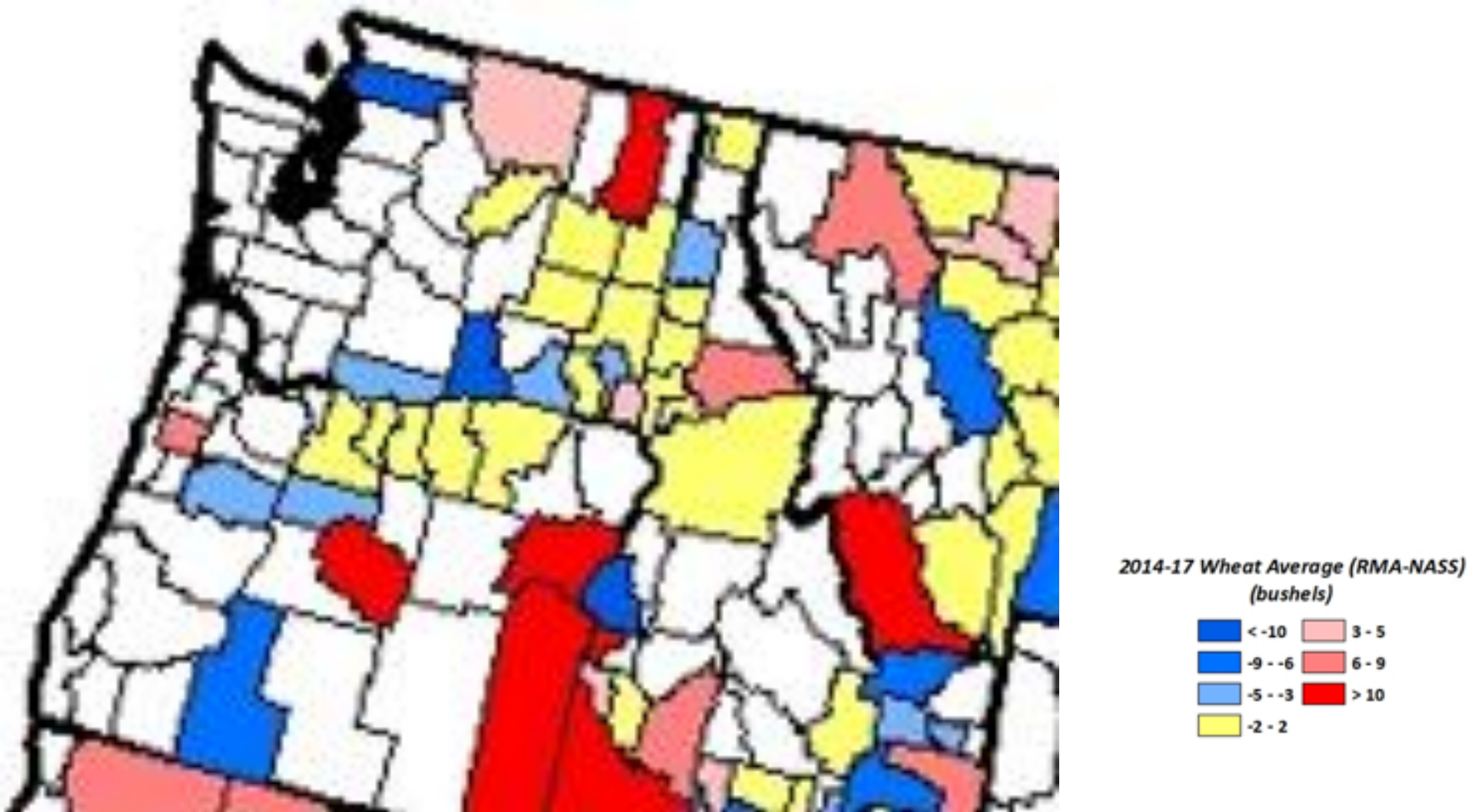


2014-17 Wheat Average (RMA-NASS)
(bushels)



Source: Aaron Smith, Crop Safety Net Programs, Farm Bill Conference, 2019

Comparing RMA – NASS Yields



Source: Aaron Smith, Crop Safety Net Programs, Farm Bill Conference, 2019

Lincoln County Wheat ARC CO and PLC Payments

County ARC-CO and PLC Wheat Payments								
County	Year	County Yield	MYA Price ¹	Benchmark		ARC Guarantee ⁴	ARC Payment ⁵	PLC Payment ⁶
				Yield ²	Price ³			
Lincoln	2014	41	5.99	62	\$ 6.60	\$ 352	\$ 32.42	\$ -
	2015	43	4.89	62	\$ 6.70	\$ 357	\$ 32.91	\$ 23.20
	2016	71	3.89	56	\$ 6.70	\$ 323	\$ 29.72	\$ 61.22
	2017	63	4.72	57	\$ 6.12	\$ 300	\$ 2.09	\$ 29.66
	2018 *	45.2	5.15	58	\$ 5.66	\$ 282	\$ -	\$ 12.93
								\$ 97.14
Five-Year Average:							\$ 24.63	\$ 25.00

¹ Market year average price which is a national price for a marketing year.

² Equals Olympic average of five-previous yields. Olympic averages eliminate high and low observations.

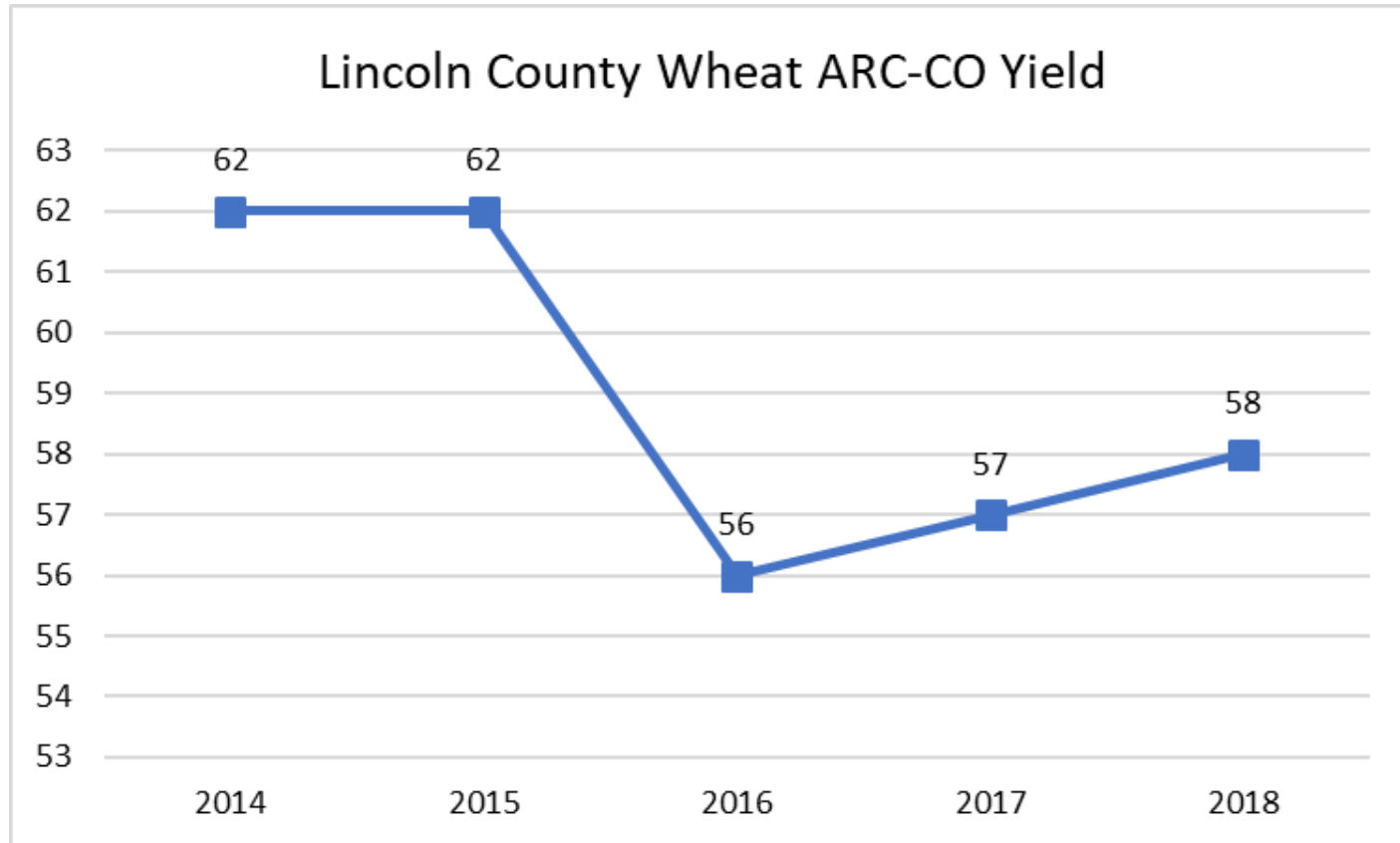
³ Equals Olympic average of five-previous prices, price can not be less than reference price.

⁴ Equals benchmark yield x benchmark price x .86.

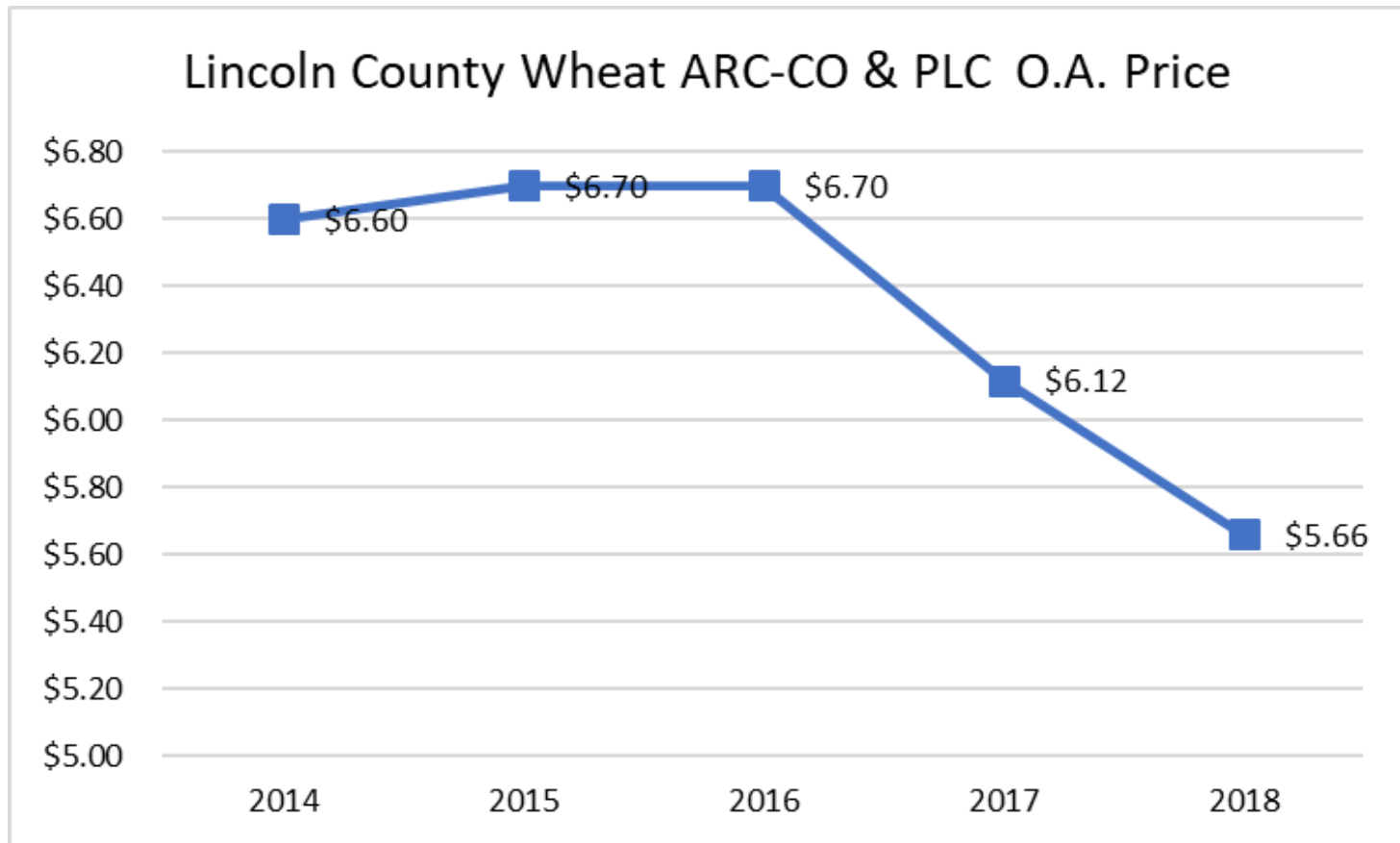
⁵ Equals .85 x minimum of (ARC guarantee - county yield x MYA price) or (10% of benchmark yield x benchmark price), when county revenue is less than ARC guarantee, zero otherwise. Reduced by sequester (6.8%).

⁶ Equals (reference price - higher of MYA price or national loan rate) x PLC payment yield x .85. Reduced by sequester (6.8%)

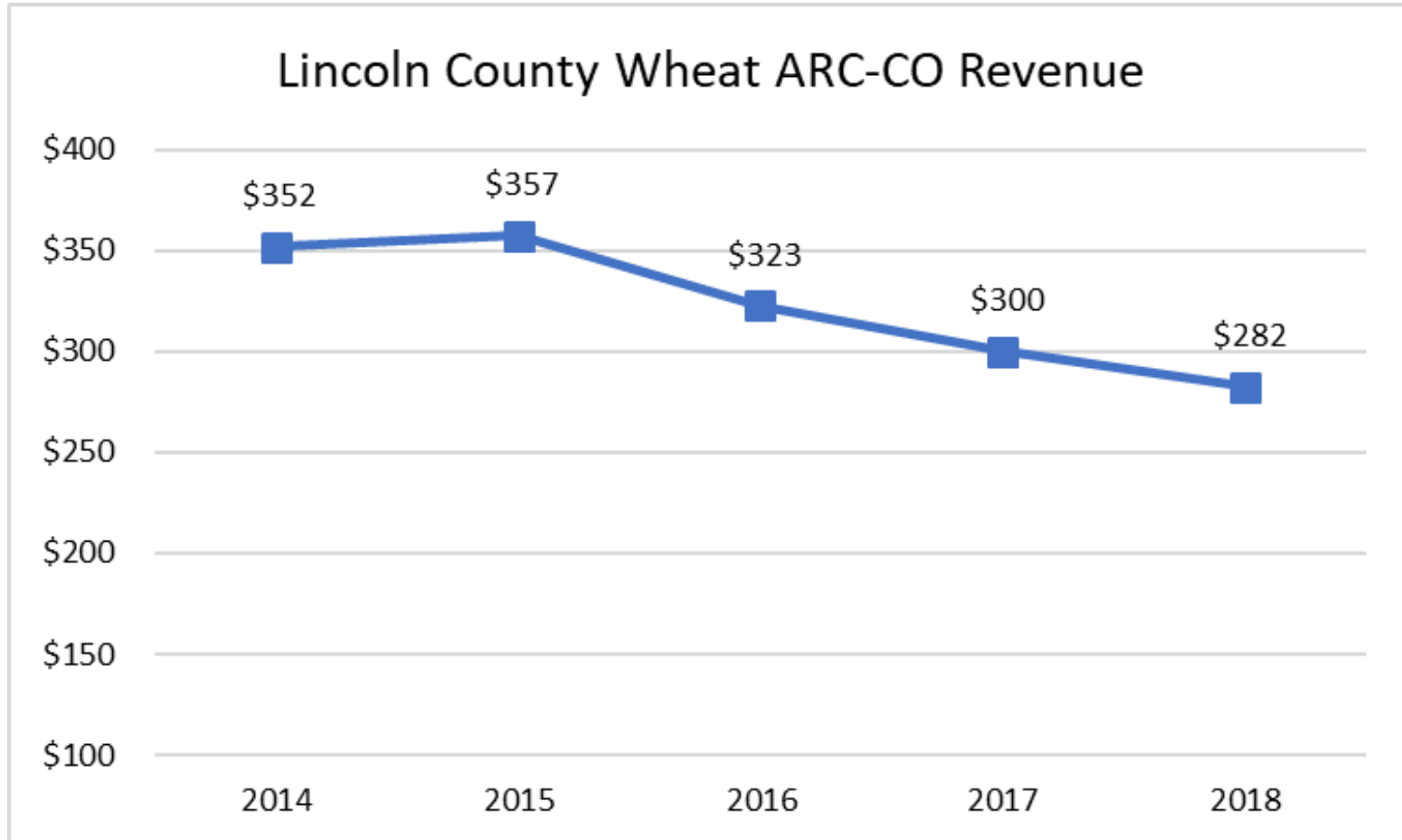
Lincoln County Wheat ARC-Co Yield



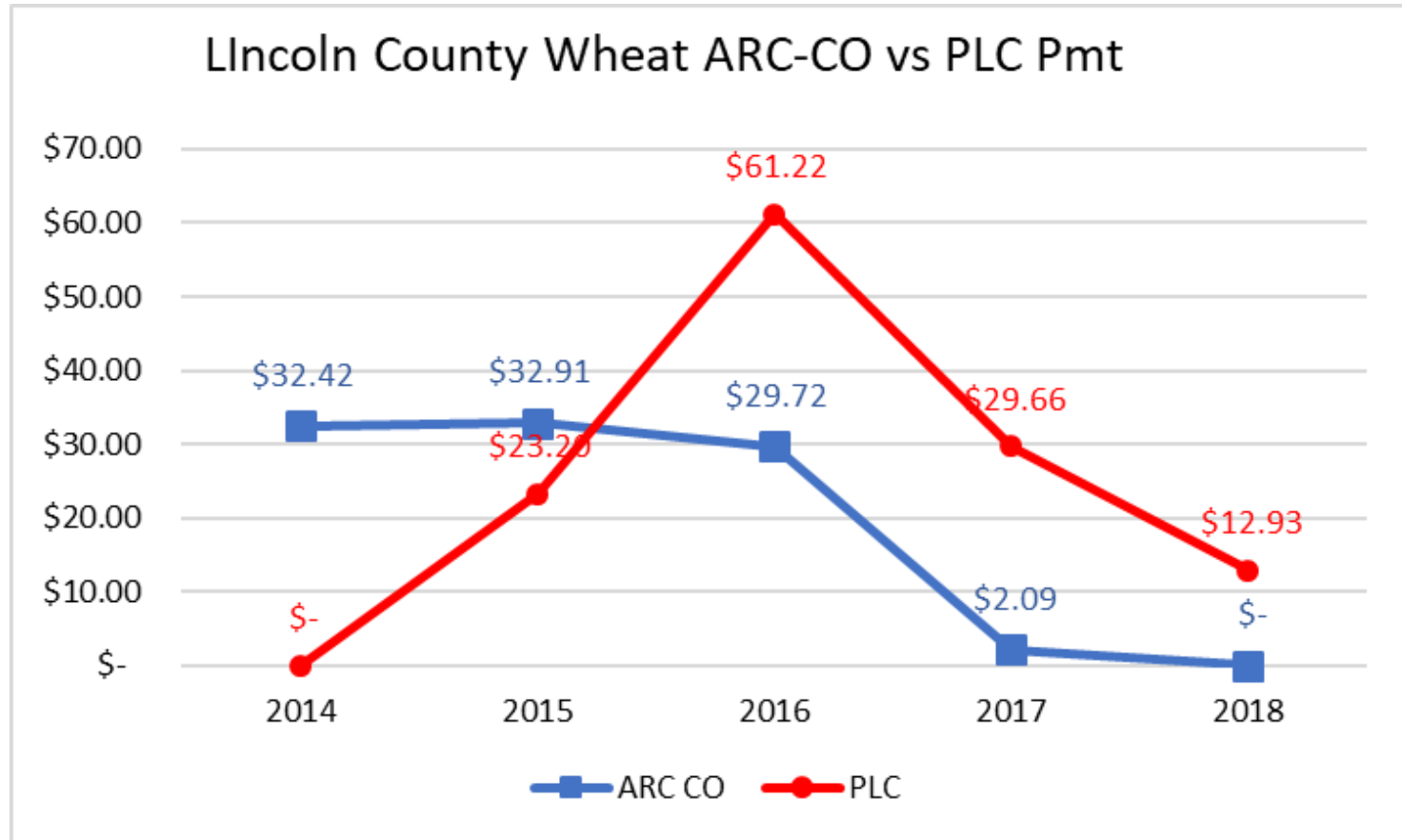
Lincoln County Wheat Olympic Avg. Price for ARC Co and PLC



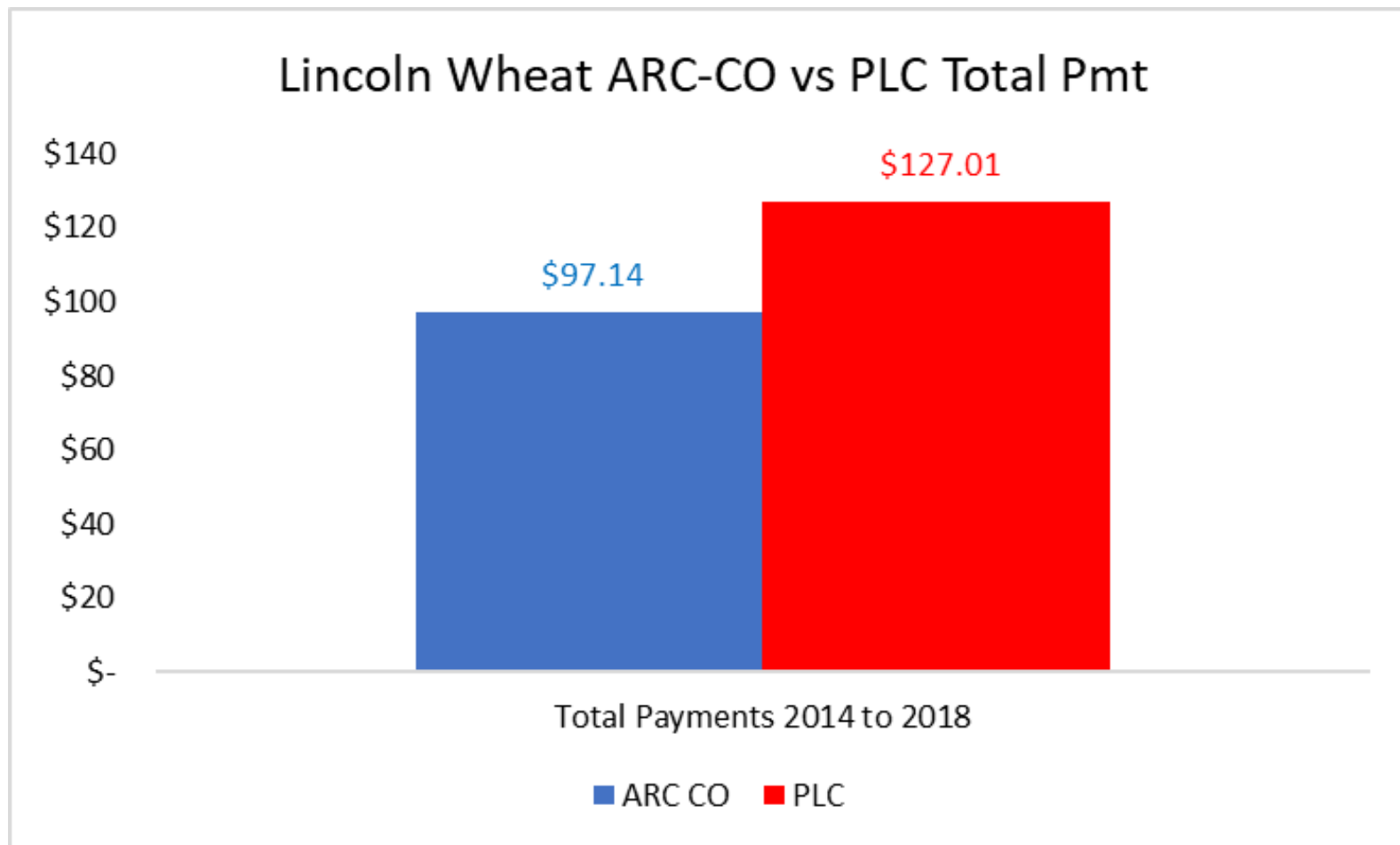
Lincoln County Wheat ARC-CO Revenue



Lincoln County ARC CO vs PLC (County Yield) Pmt



2014-2018 Wheat ARC CO vs PLC Total Payments



Walla Walla County Wheat ARC CO and PLC Payments

County ARC-CO and PLC Wheat Payments								
County	Year	County	MYA	Benchmark		ARC	ARC	PLC
		Yield	Price ¹	Yield ²	Price ³	Guarantee ⁴	Payment ⁵	Payment ⁶
Walla Walla	2014	65	5.99	79	\$ 6.60	\$ 448	\$ 41.31	\$ -
	2015	68	4.89	77	\$ 6.70	\$ 444	\$ 40.87	\$ 30.44
	2016	90	3.89	73	\$ 6.70	\$ 421	\$ 38.75	\$ 80.35
	2017	86	4.72	73	\$ 6.12	\$ 384	\$ -	\$ 38.93
	2018 *	90.1	5.15	75	\$ 5.66	\$ 365	\$ -	\$ 17.47
							\$ 120.92	\$ 167.19
Five-Year Aver.							\$ 24.18	\$ 33.00

¹ Market year average price which is a national price for a marketing year.

² Equals Olympic average of five-previous yields. Olympic averages eliminate high and low observations.

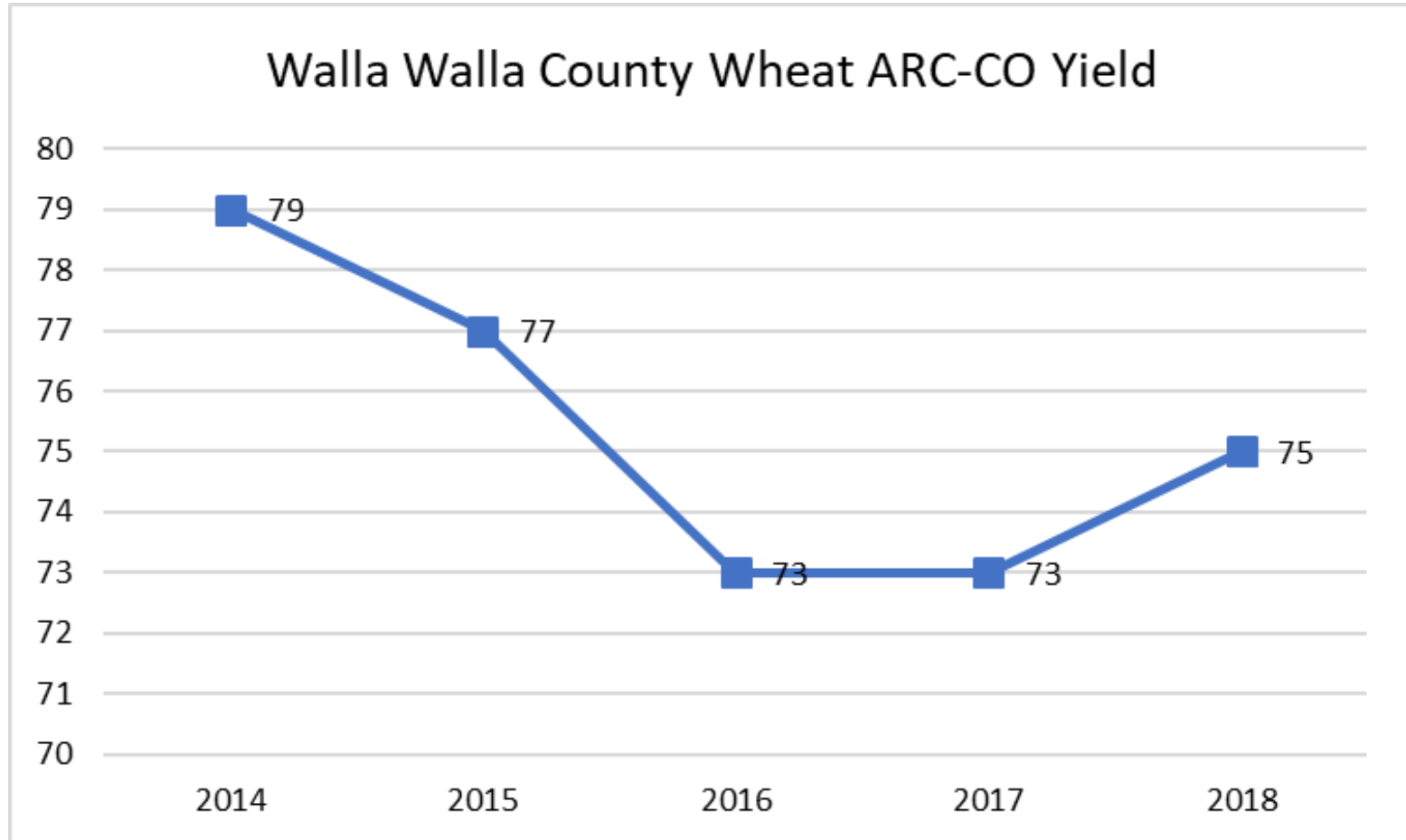
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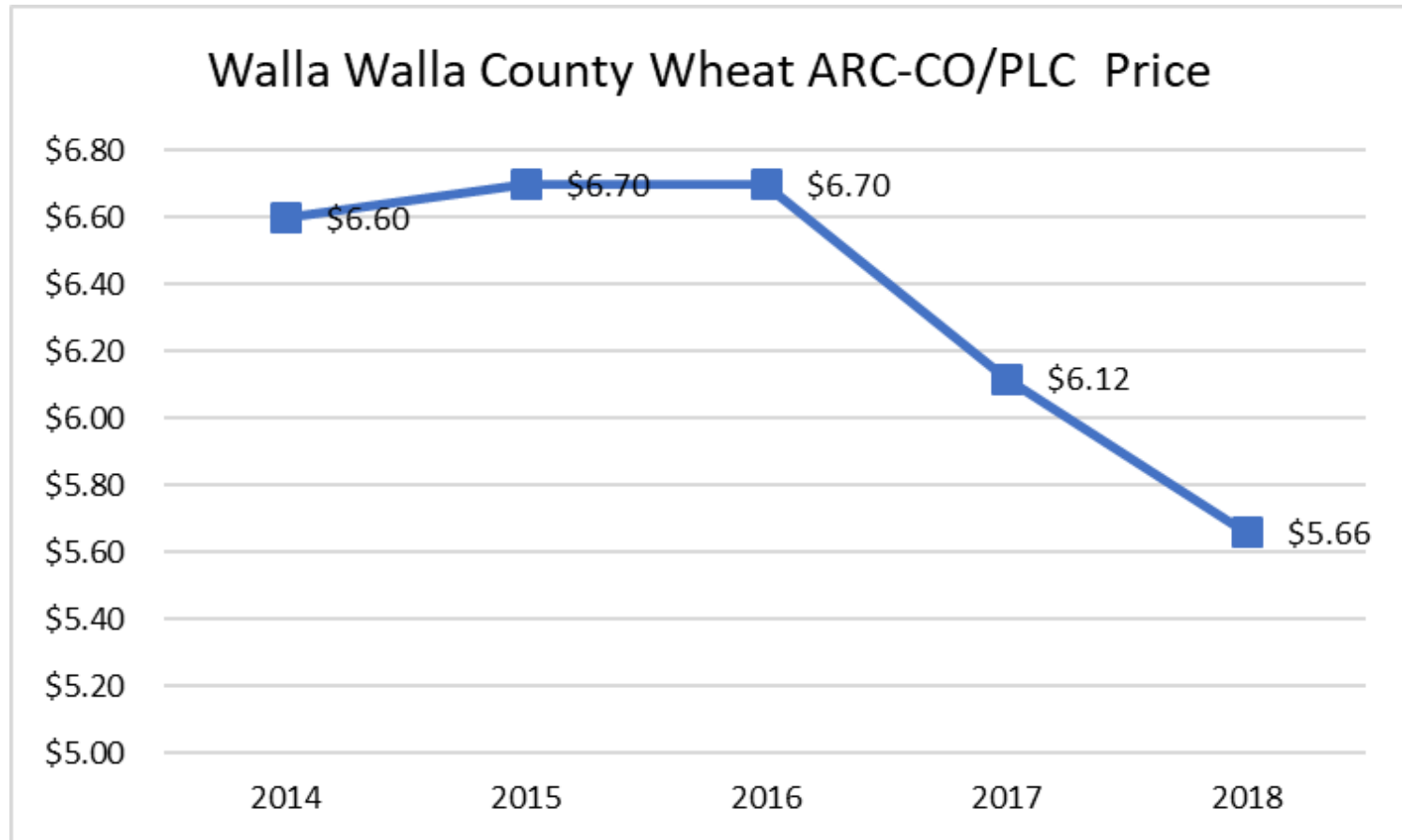
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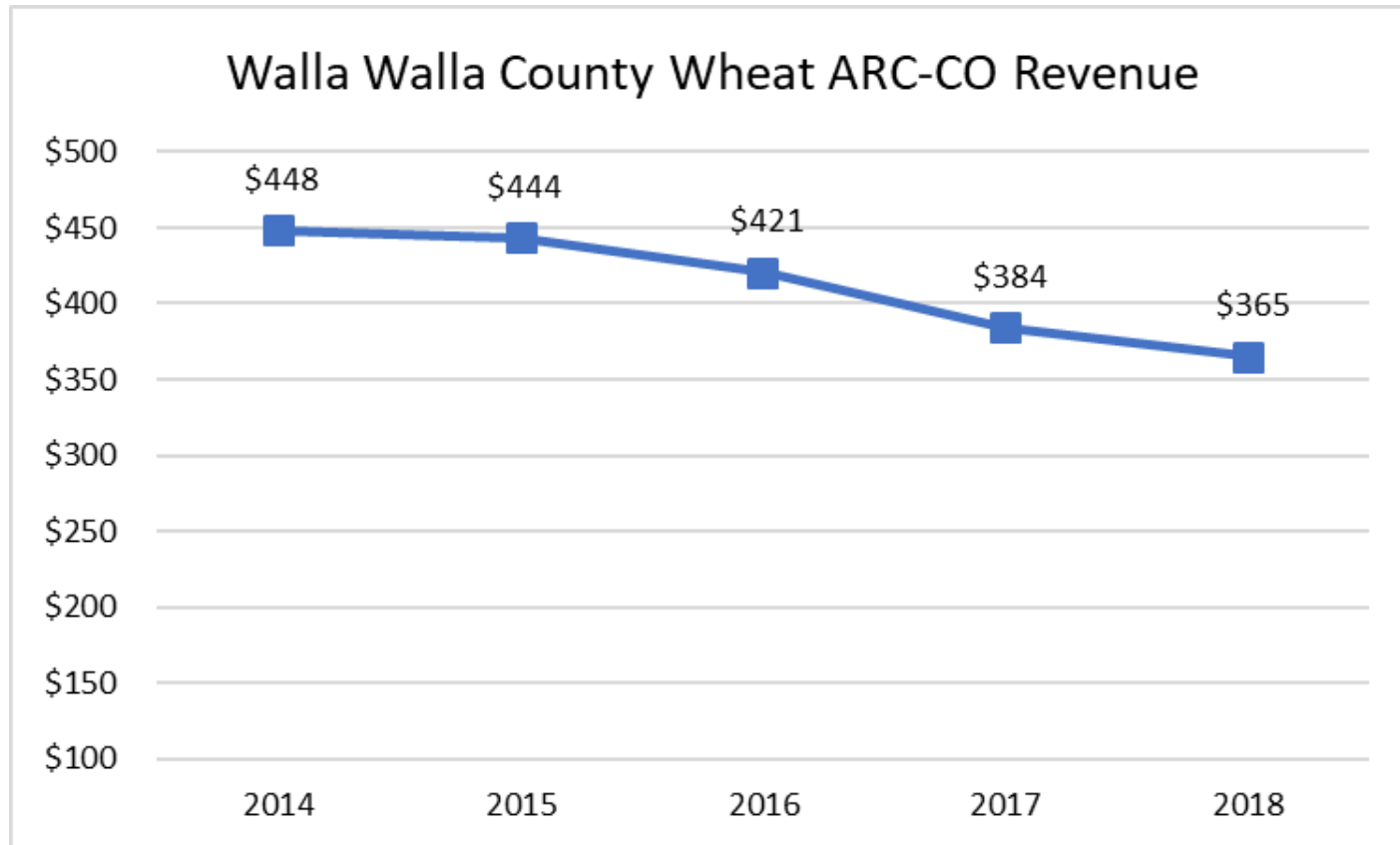
Walla Walla County Wheat ARC-Co Yield



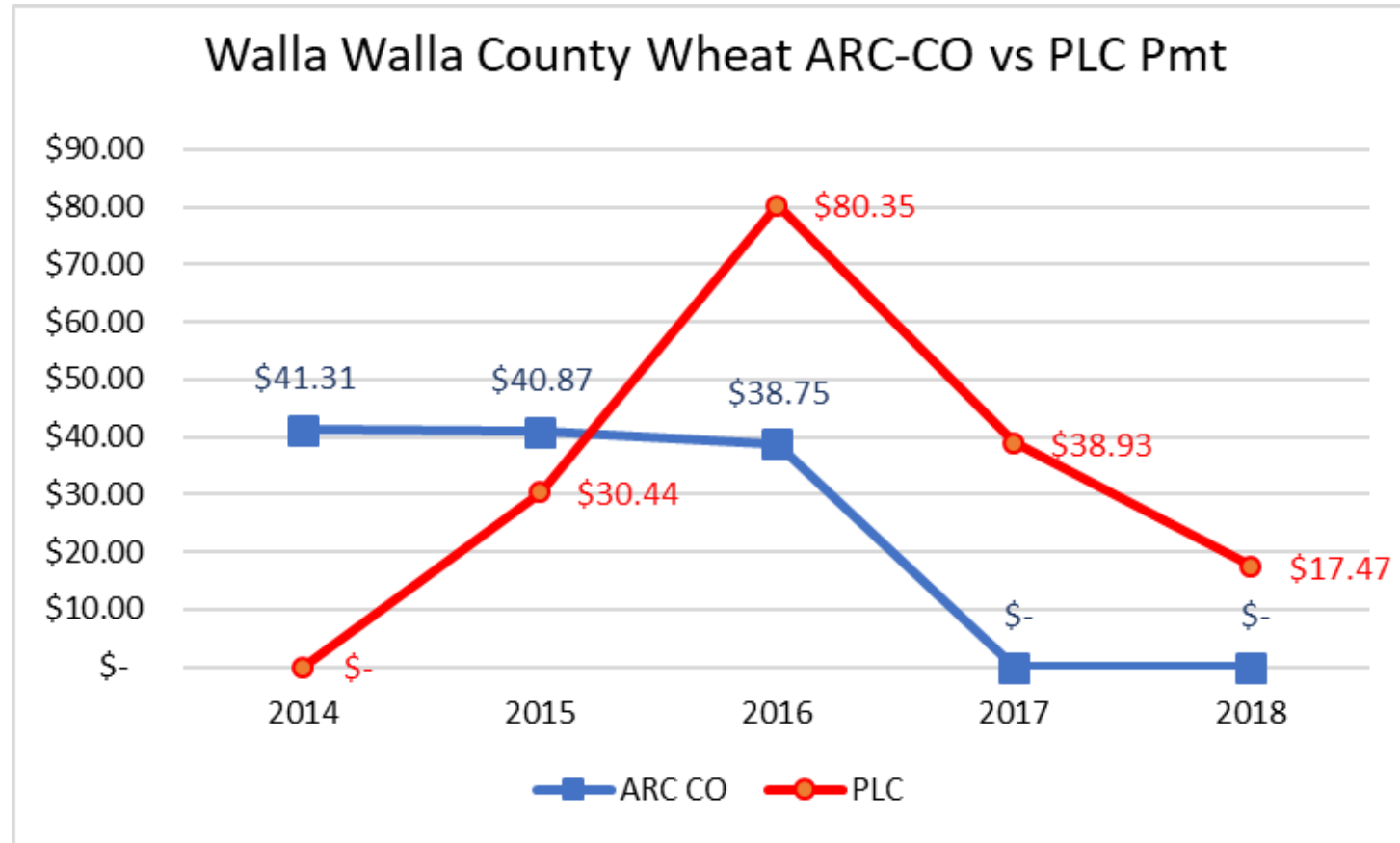
Walla Walla County Wheat Olympic Avg. Price for ARC Co and PLC



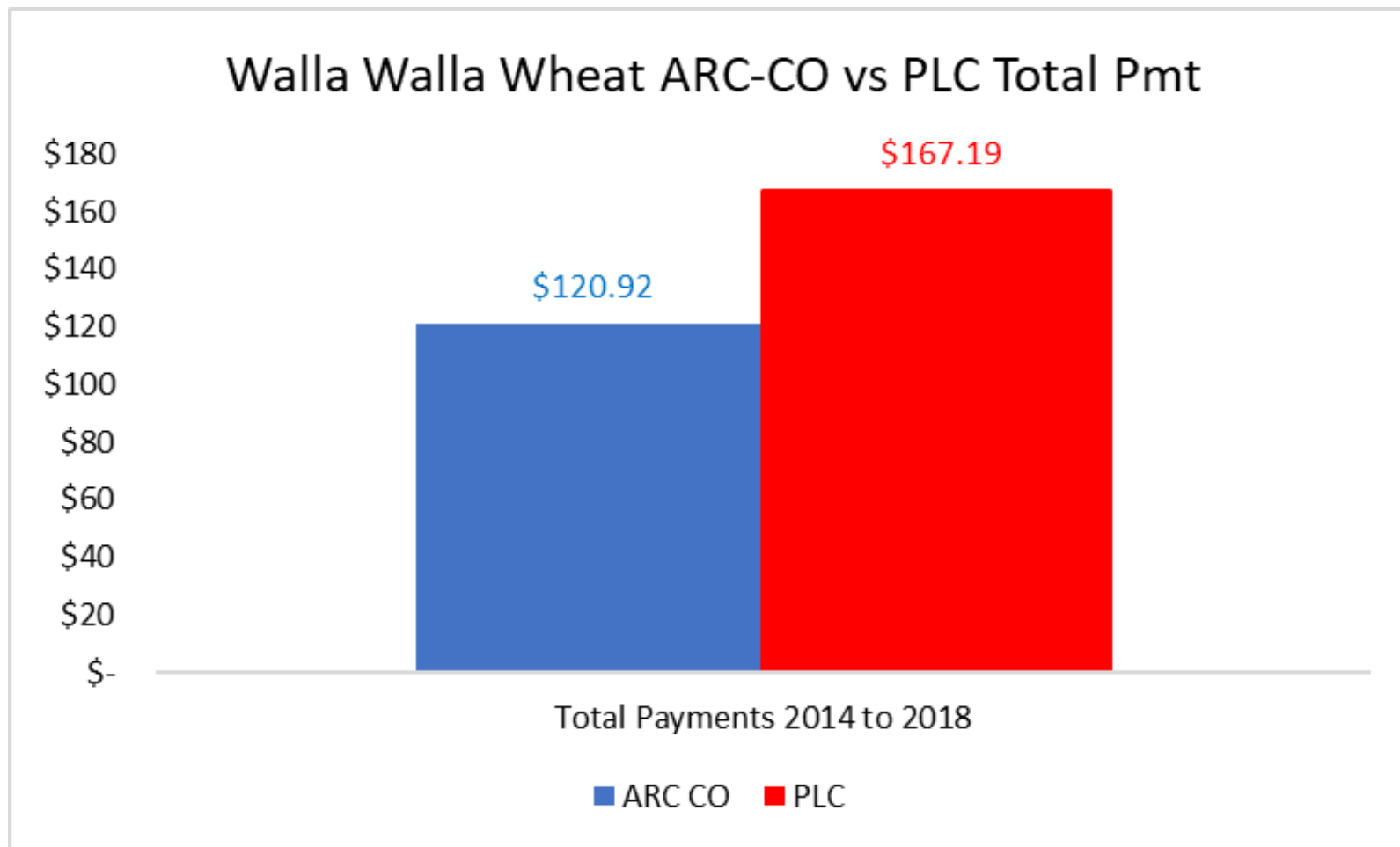
Walla Walla County Wheat ARC-CO Revenue



Walla Walla County ARC CO vs PLC (County Yield) Pmt



2014-2018 Wheat ARC CO vs PLC Total Payments



Whitman County Wheat ARC CO and PLC Payments

County ARC-CO and PLC Wheat Payments									
County	Year	County Yield	MYA Price ¹	Benchmark		ARC Guarantee ⁴	ARC Payment ⁵	PLC Payment ⁶	
				Yield ²	Price ³				
Whitman	2014	60	5.99	75	\$ 6.60	\$ 426	\$ 39.21	\$ -	
	2015	59	4.89	75	\$ 6.70	\$ 432	\$ 39.81	\$ 28.51	
	2016	82	3.89	71	\$ 6.70	\$ 409	\$ 37.68	\$ 75.25	
	2017	72	4.72	71	\$ 6.12	\$ 374	\$ 26.82	\$ 36.46	
	2018 *	82	5.15	70	\$ 5.66	\$ 341	\$ -	\$ 15.89	
							<u>\$ 143.52</u>	<u>\$ 156.11</u>	
Five-Year Aver:							<u>\$ 28.70</u>	<u>\$ 31.22</u>	

¹ Market year average price which is a national price for a marketing year.

² Equals Olympic average of five-previous yields. Olympic averages eliminate high and low observations.

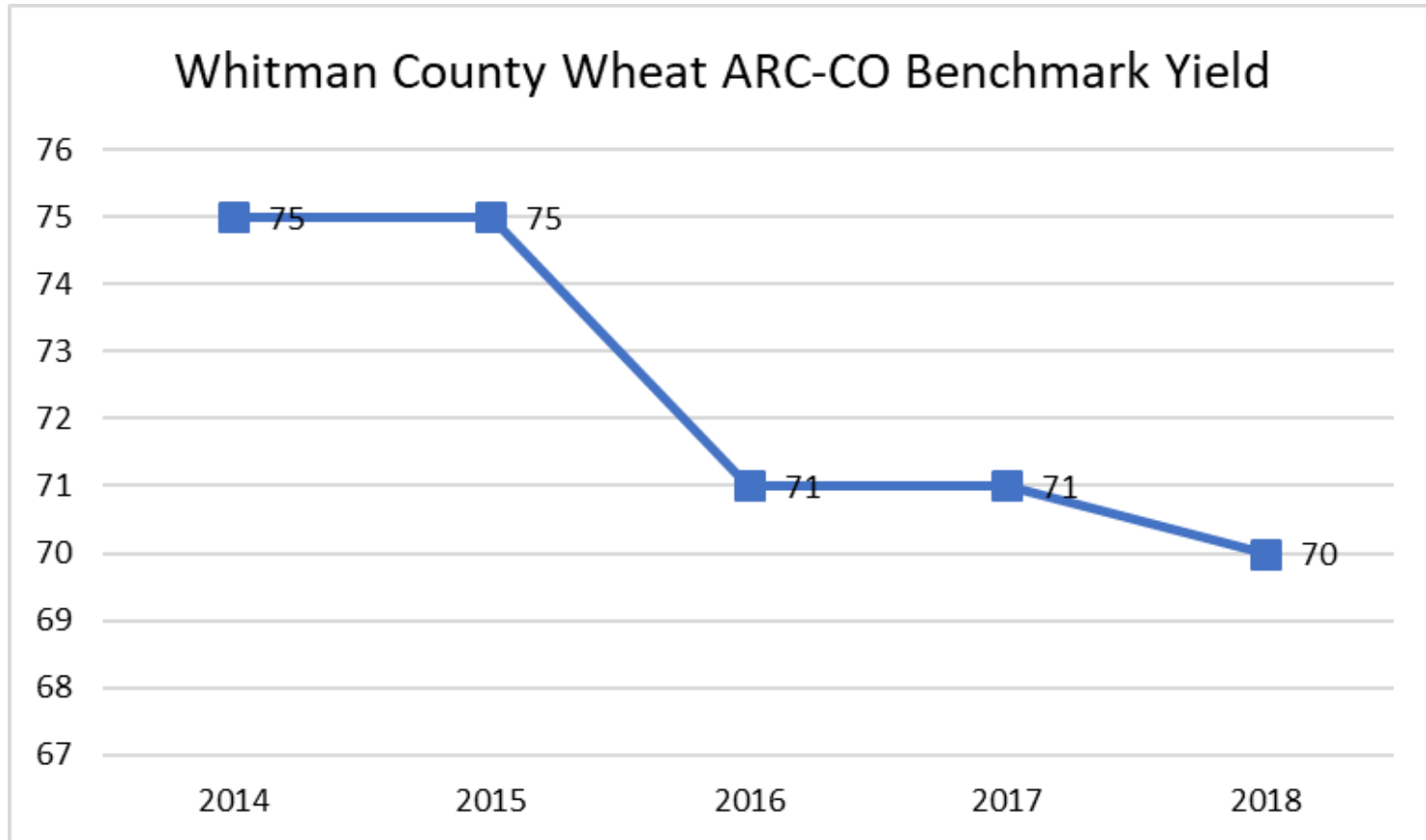
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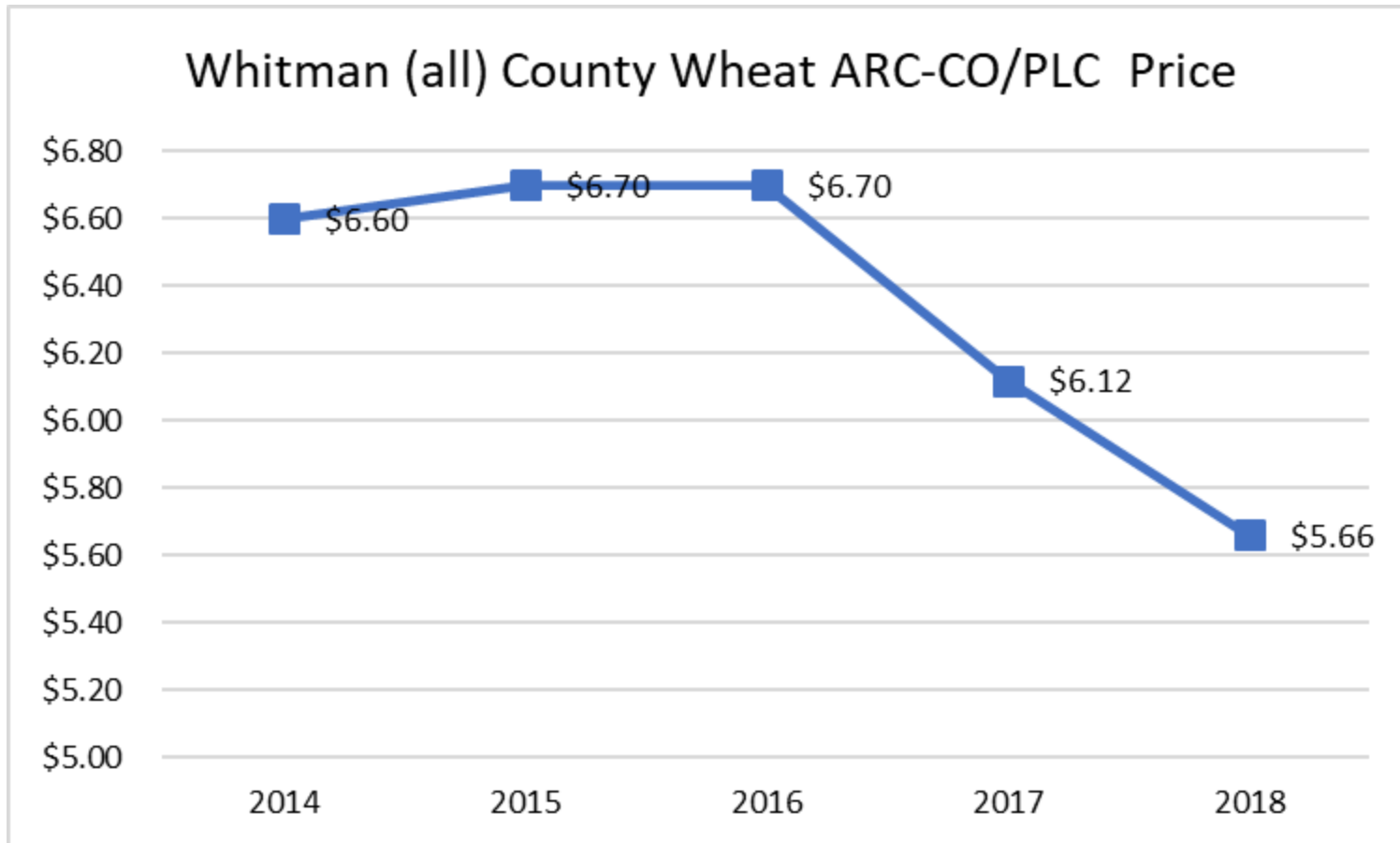
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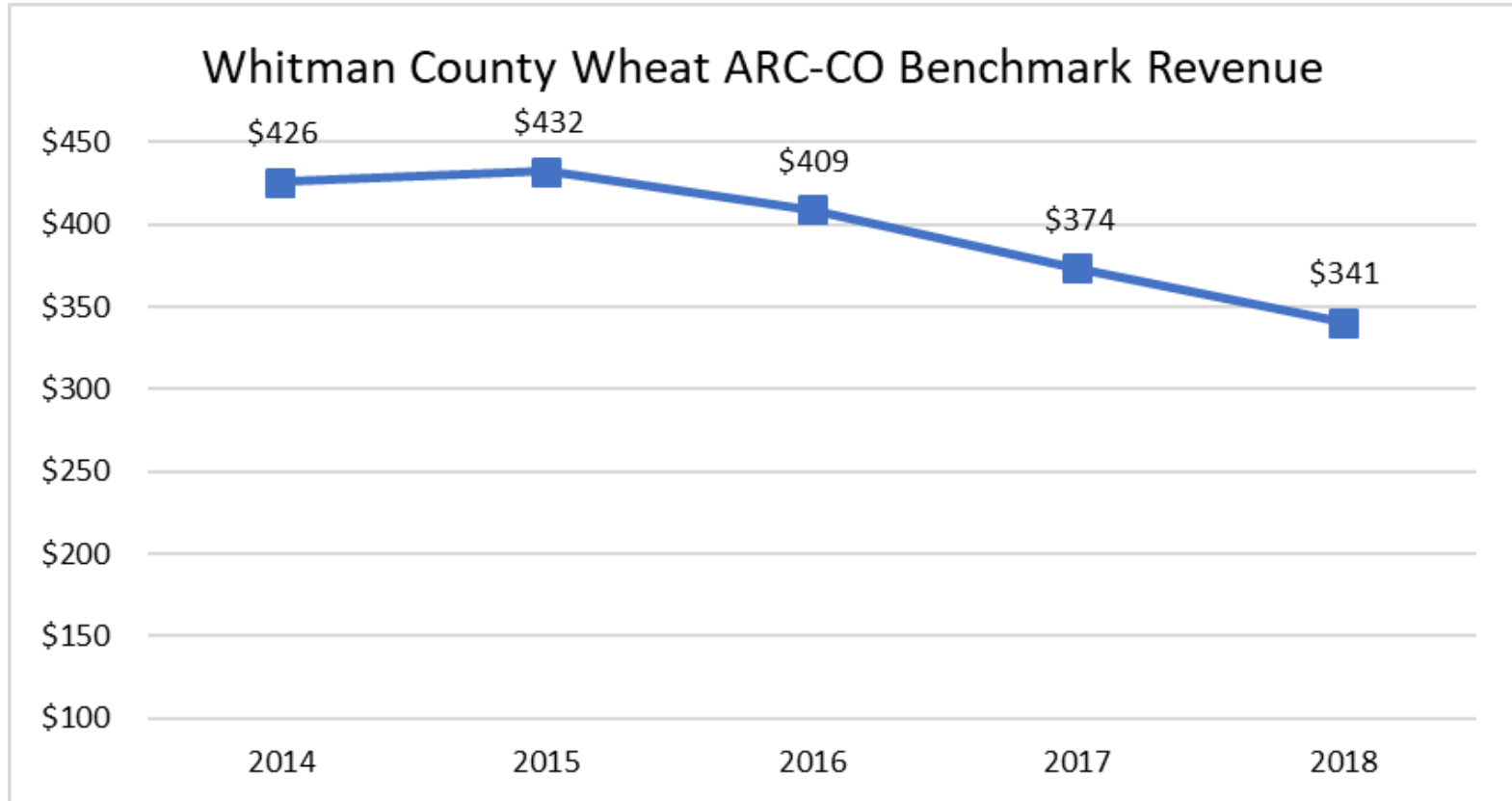
Whitman County Wheat ARC-Co Yield



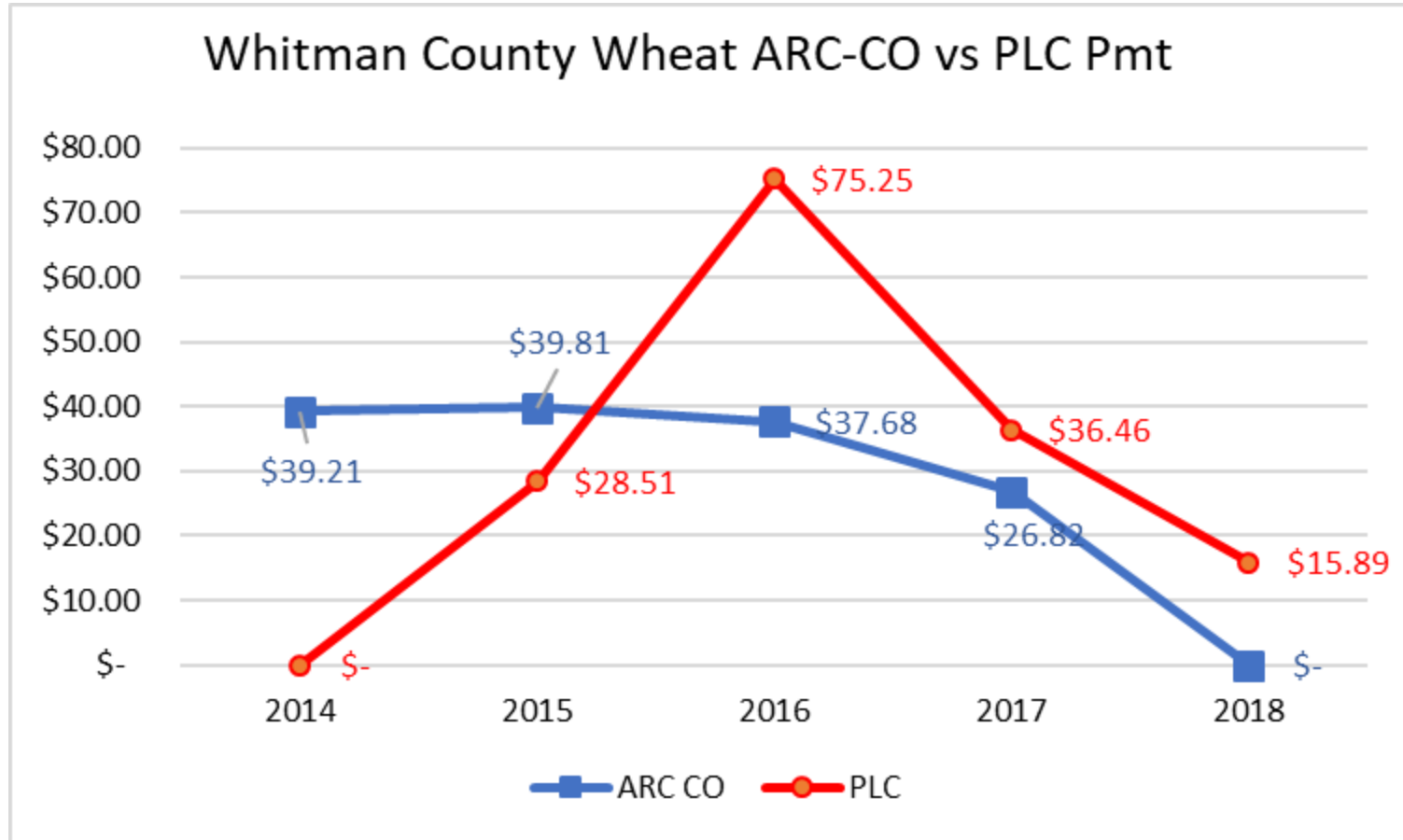
Whitman County Wheat Olympic Avg. Price for ARC Co and PLC



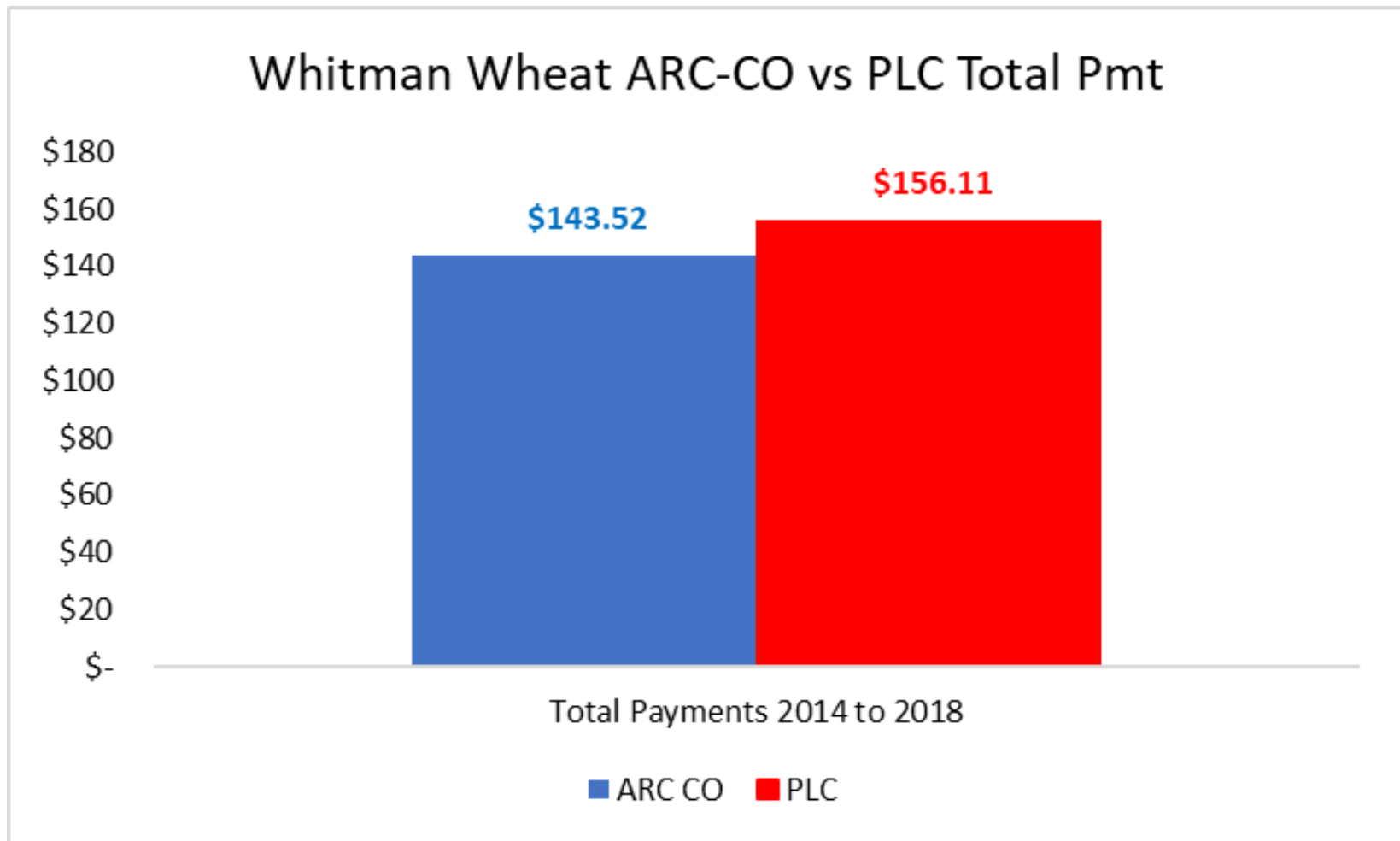
Whitman County Wheat ARC-CO Revenue



Whitman County ARC CO vs PLC (County Yield) Pmt



2014-2018 Wheat ARC CO vs PLC Total Payments



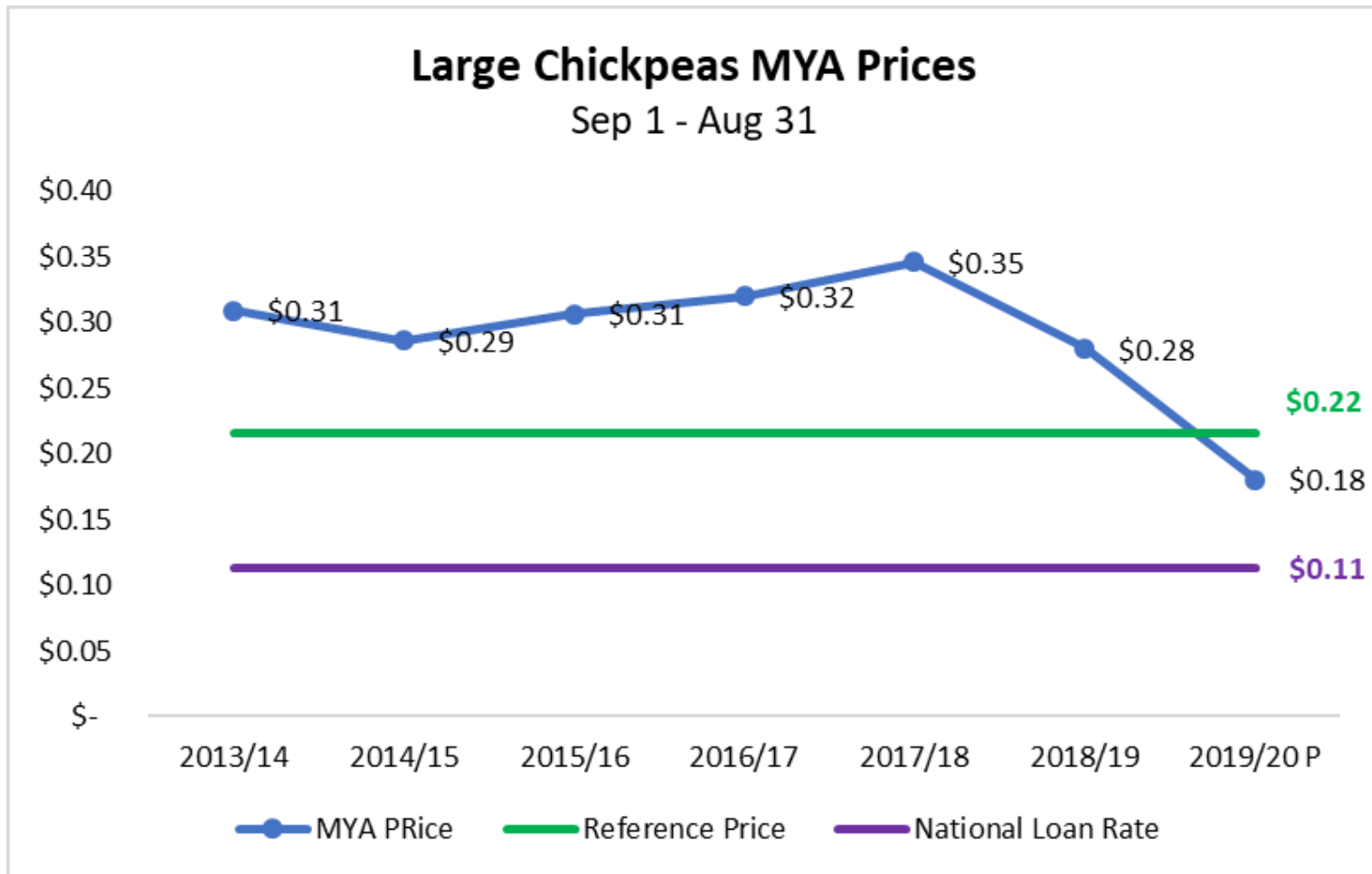
PLC reference price escalator

- Reference prices set by Farm Bill statute

Wheat	\$5.50	Large Chickpeas	\$0.2154
Barley	\$4.95	Small Chickpeas	\$0.1904
Dry Peas	\$0.11	Canola	\$0.2015
Lentils	\$0.1997	Corn	\$3.70

- 2018 Farm Bill reference price escalator allows the reference price to increase up to 115% of the statutory reference price
 - Calculated as 85% of 5-yr Olympic average MYAP
- Higher reference prices are beneficial in program payment calculations particularly PLC
- Preliminary estimates indicate that large chickpeas, rapeseed, lentils, and small chickpeas will have higher reference prices due to the escalator in 2019

March 15 Sign-up Deadline vs Marketing Year (Sep-Aug)



5 yr Oly Avg Price = $\$0.3040 * 85\% = \0.2584

Analysts comments and predictions

- Continued declining trend in MYAP and in-turn declining Olympic average formula prices
- ARC CO county benchmark revenue follows the declining trend and also faces the “14% revenue penalty”
- Historically counties were hit by the ARC CO 10% payment limitation cap: 61% in 2015 and 77% in 2016 for wheat
- The enacted 2018 farm bill continues a \$125,000 per-person cap on combined PLC and ARC payments but excludes MAL program benefits from the limit.
- PLC payment based on farm yield so farms with above county average yield benefit greater under the PLC option
- Prediction is farmers will move from ARC CO to PLC
- BUT
- Sign-up analysis is needed to account for your farm’s unique attributes
- The national tools for 2014 Farm Bill are being redesigned for 2018
- www.fsa.usda.gov/programs-and-services/arcplc_program/index

ARC and PLC sign-up decisions

- First Election for 2019 and 2020
- Annual Election for 2021, 2022, 2023
- Knowledge of 2019 yield and year-to-date market conditions will play a role in initial election

Yield update

- Option to update farm program yields
- Two step yield update formula
 1. 90% * 2013-2017 FSA Farm commodity yield times
 2. National yield adjustment factor
(2008-2012 U.S. yield / 2013-2017 U.S. yield)

$$\text{payment yield} = 0.9 \times \text{avg. farm yield}_{2013-2017} \times \left(0.9 \leq \frac{\text{avg. nat. yield}_{2008-2012}}{\text{avg. nat. yield}_{2013-2017}} \leq 1 \right)$$

Wheat = 0.9545

National Yield Adjustment Factors

- <https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/arc-plc/2019/pdf/yield-adjustment-factor.pdf>

Covered Commodity	National Yield Factor	Covered Commodity	National Yield Factor	Covered Commodity	National Yield Factor
Barley	0.9437	Lentils	1.0000	Rice, Temp Japonica	0.9591
Canola	0.9634	Mustard Seed	0.9460	Safflower	1.0000
Chickpeas, Large	1.0000	Oats	0.9524	Seed Cotton	0.9000
Chickpeas, Small	0.9760	Peanuts	0.9273	Sesame Seed	0.9673
Corn	0.9000	Peas, Dry	0.9988	Soybeans	0.9000
Crambe	1.0000	Rapeseed	1.0000	Sunflower Seed	0.9396
Flaxseed	1.0000	Rice, Long	0.9330	Wheat	0.9545
Grain Sorghum	0.9077	Rice, Medium	0.9887		

Yield Update – TAMU ($0.9 * 85 * 0.9545 = 73.02$)

2018 Farm Bill Decision Aid

Home

Logout

Payment Yield update

FSN 123

State Washington

County Whitman

Crop Wheat

2014 Farm Bill PLC Payment Yield

80

bu/ac

Practice

Single Practice - Non-Irrigated

Non-Irrigated

	Historical planted (or prevented planted) acres		Historical yields (bu/ac)	
2013	100	acres	85	bu/ac
2014	100	acres	85	bu/ac
2015	100	acres	85	bu/ac
2016	100	acres	85	bu/ac
2017	100	acres	85	bu/ac

Recalculate

Potential Payment Yield for 2020

73.02

bu/ac

Expected Payments Tool

Yield Update Form CCC-687

This form is available electronically.

CCC-867 (07-23-19)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation		1. Program Years: 2020 through 2023									
<p align="center">YIELD UPDATE FOR THE PRICE LOSS COVERAGE (PLC) PROGRAM</p>								2A. County FSA Office Name and Address (including Zip Code)					
								2B. County FSA Office Telephone No. (including Area Code)			2C. County FSA Office FAX No. (including Area Code)		
3. State Code		4. County Code		5. Farm No.		6. Covered Commodity							
<p>NOTE: The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a – as amended). The authority for requesting the information identified on this form is the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), the Agricultural Act of 2014 (7 U.S.C. 9015) as amended by the Agriculture Improvement Act of 2018 (Pub. L. 115-334) and 7 CFR Part 1412. The information will be used to determine eligibility to participate in and receive benefits under the Agriculture Risk Coverage Program and Price Loss Coverage Program. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FSA-2, Farm Records File (Automated). Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility to participate in and receive benefits under the Agriculture Risk Coverage Program and Price Loss Coverage Program.</p> <p>Paperwork Reduction Act (PRA) Statement: The information collection is exempted from the Paperwork Reduction Act as specified in 7 U.S.C. 9091(c)(2)(B).</p> <p>The provisions of appropriate criminal and civil fraud, privacy, and other statutes may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>													
<p>THE FARM PLC YIELD UPDATE DECISION is made by an owner of the farm identified in Item 5 above. If FSA receives conflicting yield update from another owner, owners will be required to resolve their dispute providing CCC with written evidence of the dispute resolution by the end of the yield update period.</p>													
FARM YIELD UPDATE													
7. I agree to update the PLC yield for the covered commodity, identified in Item 6 above, based on 90 percent of the farm's 2013 through 2017 average yield per planted acre, excluding any year(s) when no acreage was planted times a national factor determined by dividing the 2008-12 national yield by the 2013-2017 national yield. The covered commodity's national yield factor is _____ .													
7A. 2013 Yield	7B. 2014 Yield	7C. 2015 Yield	7D. 2016 Yield	7E. 2017 Yield	7F. Total	7G. Average Yield	7H. Multiplied by 2.4 (if Seed Cotton)	7I. Multiplied by 90%	7J. Multiplied by Factor (PLC Yield)				
8. Owner's Name and Address (including Zip Code)													
9A. Signature of Owner (by)					9B. Title/Relationship of the individual Signing in the Representative Capacity			9C. Date (MM-DD-YYYY)					
10A. Signature of CCC Representative					10B. Date (MM-DD-YYYY)								

Conservation Reserve Program

- Challenging to discuss CRP because of the unique attributes of each CRP contract
- Large number of programs and availability or restrictions for cost share for CRP/CSP programs
- Administered per:
 - Unique county objectives and acreage caps
 - Unique attributes of the farm within the county
 - Unique Environmental Benefit Index attributes within the farm

Opportunity and complexity of conservation programs

- Agricultural Conservation Easement Program (ACEP)
- Agricultural Management Assistance (AMA)
- Conservation Operations (CO); Conservation Technical Assistance (CTA)
- Conservation Reserve Program (CRP)
- CRP—Conservation Reserve Enhancement Program (CREP)
- CRP—Farmable Wetland Program
- CRP—Grasslands
- Conservation Stewardship Program (CSP)
- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)
- Emergency Watershed Protection (EWP)
- Environmental Quality Incentives Program (EQIP)
- EQIP—Conservation Innovation Grants (CIG)
- Grassroots Source Water Protection Program
- Healthy Forests Reserve Program (HFRP)
- Regional Conservation Partnership Program (RCPP)
- Voluntary Public Access and Habitat Incentive Program
- Water Bank Program
- Watershed and Flood Prevention Operations
- Watershed Rehabilitation Program



Agricultural Conservation: A Guide to Programs

Megan Stubbs

Specialist in Agricultural Conservation and Natural Resources Policy

April 17, 2018

<https://fas.org/sgp/crs/misc/R40763.pdf>

CRP Contract Expirations

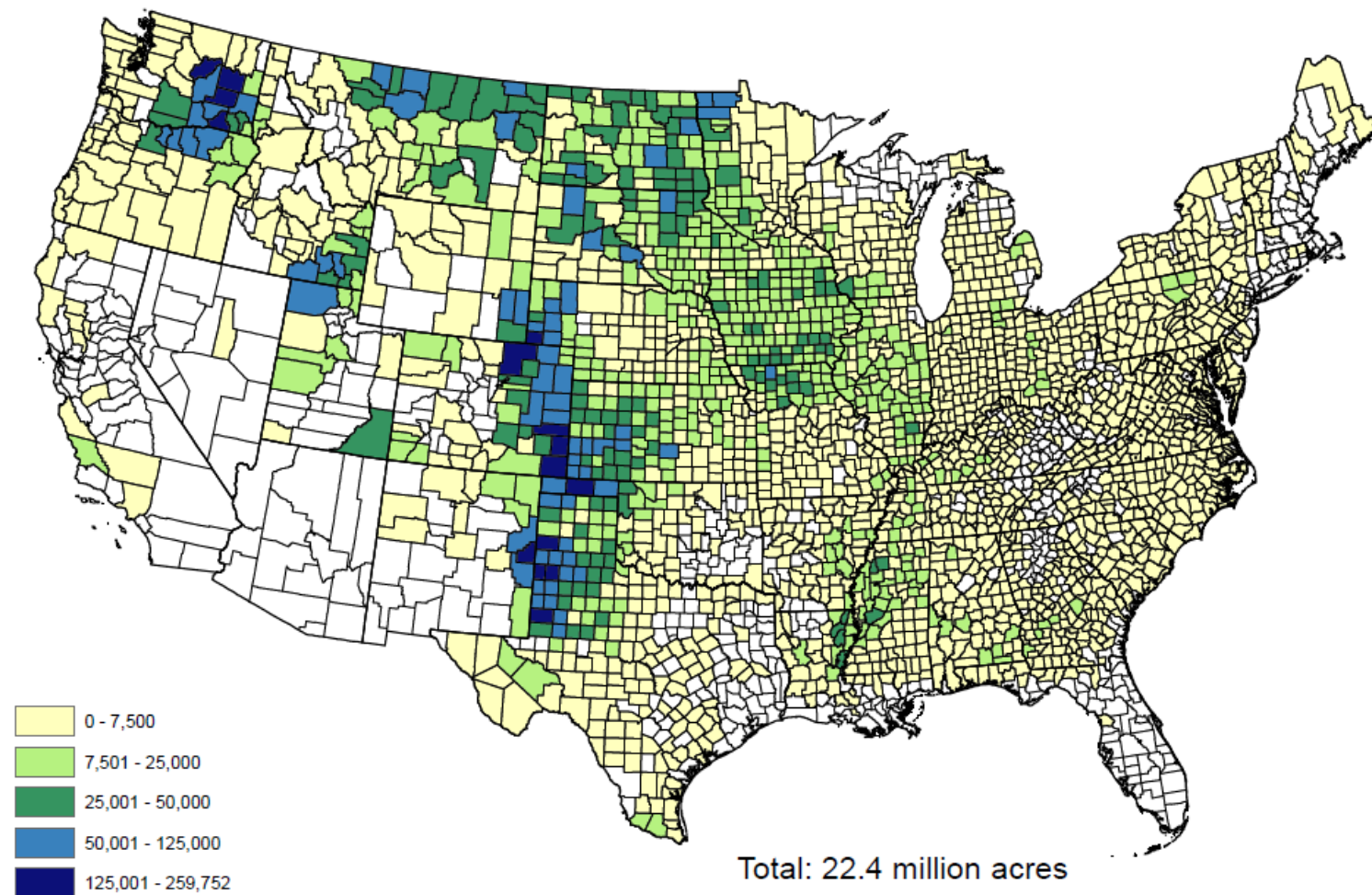
- 2017, 2018, and 2019 expiring CRP contracts rolled over to reenroll in 2020
- 415,427 acres of general and continuous CRP contract expiration
- Compete on the environmental benefits index previous enrollments
- Lower CRP rental rates to reflect market rental rates and encourage conversion to farming
- Higher quality land premiums reduced to average land quality

Washington CRP Acres Expiring Contracts Top Counties

	2017	2018	2019	2020	Total
WALLA WALLA	582	62,844	14,741	26,417	104,584
DOUGLAS	43	16,589	-	20,105	36,736
ADAMS	237	11,704	2,975	20,657	35,573
FRANKLIN	686	14,489	8,018	12,180	35,374
BENTON	-	15,513	6,543	12,969	35,025
YAKIMA	97	11,882	4,222	17,410	33,611
WHITMAN	3,463	5,572	2,469	18,418	29,922
LINCOLN	772	786	255	23,171	24,984
KLICKITAT	765	1,728	204	19,149	21,846
GRANT	16	8,528	696	7,466	16,705
GARFIELD	677	6,320	1,398	3,118	11,513
COLUMBIA	799	3,241	3,765	2,924	10,729

Conservation programs

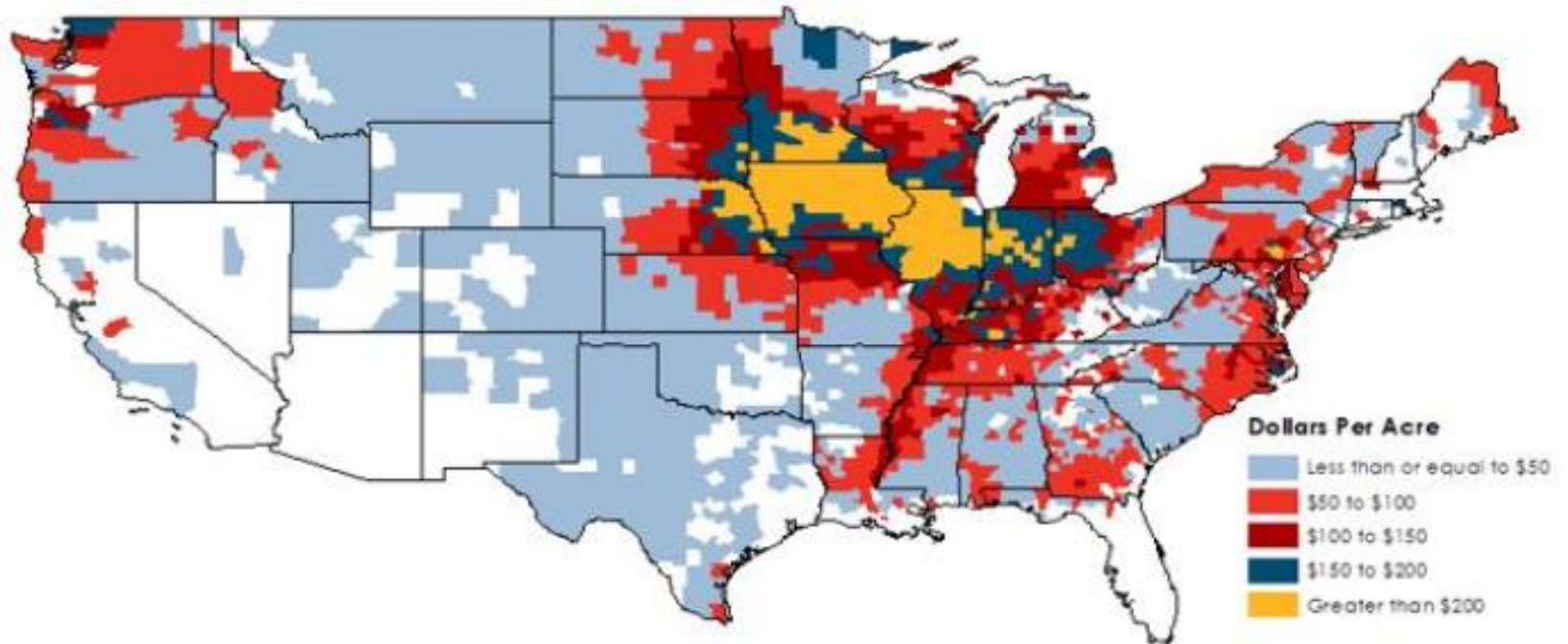
CRP Enrollment - February 28, 2019



Prepared by FSA/EPAS/NRA

2018 CRP rental rates

Fiscal Year 2018 CRP Rental Rates



Skagit	\$ 199
Whatcom	\$ 154
Columbia	\$ 65
Whitman	\$ 79

Walla Walla	\$ 54
Garfield	\$ 64
Franklin	\$ 54
Asotin	\$ 21

Conservation Reserve Program - CRP

- Increases CRP acreage cap from 24 to 27 M acres.
 - Goals:
 - 8.6 Million acres for continuous signup and 2 M for grasslands
- Sets upper limits on the county average soil rental rates used to set field specific maximum annual payment rates
- Sets tighter restrictions on maximum payment rates for re-enrollments
- Expanded opportunities for CRP land management

CRP Grassland Rental Rate

Skagit	\$ 34	Walla Walla	\$ 4
Whatcom	\$ 39	Garfield	\$ 4
Columbia	\$ 4	Franklin	\$ 5
Whitman	\$ 4	Asotin	\$ 4

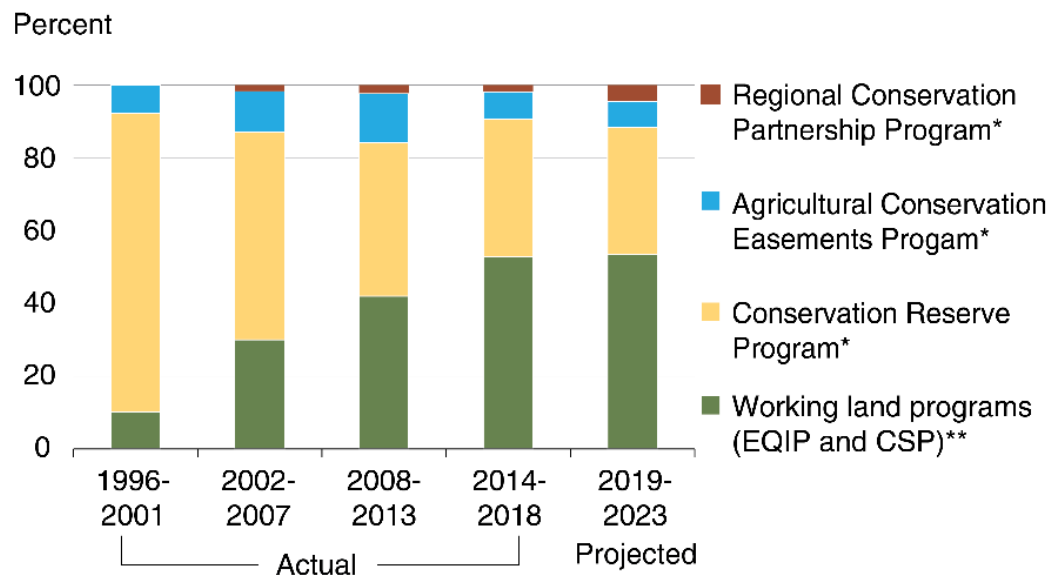
Conservation Reserve Program - CRP

- General CRP enrollment period Dec. 9, 2019 through Feb. 28, 2020.

Farm Bill Conservation programs

- 2% increase in mandatory funding for conservation programs.
- Working land program funding at same share of total funding.
- Increases CRP acreage cap from 24 to 27 M acres.
- Increased funding for EQIP, ACEP, and RCPP.
- Reduces CSP funding, and replaces acreage cap with a funding cap.

Share of conservation spending by major programs and predecessors in the 2018 and previous farm acts



Summary conclusions

- Expected low farm profitability increases the importance for risk management
- ARC PLC sign-up flexibility
 - 2019-2020 then annually thereafter
 - Reduces risk of choosing wrong program
 - PLC enrollment expected to increase
 - March 15, 2020 Ending sign-up date
- Updated decision tools are available
- Potential opportunities with conservation programs

Discussion and Questions

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