RECONCILING FARM POLICY

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Part 1.

PERSPECTIVES ON FARMING & FARM BILL HISTORY
**Farm Bill History Snapshot**

- **AAA (1933 & 1938)**
  - New Deal; Parity System (including 1936 Soil Conservation & Domestic Allotment)

- **Agricultural Act of 1949**
  - Permanent law; Disputes over, and breakdown of, parity system (preceded by AA 1948; succeeded by AA 1954, 1956 (Soil Bank) and 1958)

- **F&A 1965 and AA 1970**
  - Transitioning out of the parity system (preceded by 1961 (feed grains); 1962 (corn/wheat); 1964 (wheat/cotton))

- **ACPA of 1973**
  - Target prices & food stamps (succeeded by 1977 and 1981 farm bills)

- **Food Security Act of 1985**
  - Target prices, marketing loans and conservation (CRP & compliance)

- **FAIR Act of 1996**
  - Decoupled and fixed payments (preceded by 1990-triple base)

- **FSRIA of 2002**
  - $73b; Direct & Counter-cyclical payments; CSP

- **FCEA of 2008**
  - RFS era; add revenue

- **Agricultural Act of 2014**
  - End DP; ARC vs. PLC
CROP PRICES & FARM POLICY BY ERA

Prices Received-Marketing Year (NASS)

- Parity Era
- Target Price Era
- Decoupled Era

1933 AAA
1949 Act
1973 Farm Bill
1996 Farm Bill

Corn
Wheat
Cotton

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Planted Acres in Farm Bill History

Acres Planted (NASS)

- Corn
- Cotton
- Wheat
- Soybeans
- Other Feed Grains

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PRODUCTIVITY INCREASES THRU FARM BILL HISTORY

NASS National Yields

- Corn
- Wheat
- Cotton

POUNDS/ACRE

BUSHELS/acre

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Note: Estimated revenue based upon NASS Quick Stats; national average yields multiplied by average prices received by farmers during the marketing year.
FUNDAMENTAL CHANGES IN FARMING

Farms, land in farms, and average acres per farm, 1850–2012


U.S. agricultural output, inputs, and total factor productivity

Index, 1948=1


MEASURING ‘FARMER EXPENDITURES’

Expenditures ($Millions)

Notes: crop insurance expenditures are the calculated benefits to the farmer, indemnities less farmer paid premium; RMA statement of business data.

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Part 2.

THE FARM BILL COALITION
BUILDING THE TRADITIONAL FARM COALITION

United States: Corn

United States: Cotton (Upland)

United States: Spring Wheat (excluding durum)

United States: Winter Wheat

Corn

Cotton

Spring Wheat

Winter Wheat

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THE TRADITIONAL FARM COALITION

- Corn-cotton-wheat represent the major commodity growing regions;

- They account for the regional political divisions in farm policy: Midwest-South-Great Plains/West;

- Competition and disputes can be fierce; generally define policy development;

- Competition has evolved...
TARGET PRICE COMPETITION

Price Comparison

- Corn Target
- CornMYA
- Wheat Target
- WheatMYA
- Cotton Target
- CottonMYA

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SPENDING COMPETITION IN THE DECOUPLED ERA

Notes: * indicates years with emergency disaster/market loss assistance payments; after 2003, only includes Direct Payments, Counter-Cyclical Payments and Marketing Assistance Loan benefits (including LDP)

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Further Coalition Building

1950s & 1960s
- Farm Policy breakdown
- Demographics and votes

1970s
- Add food stamps (1973)
- Environmental interests

1985
- Conservation Compliance
- CRP
FARM BILL COALITION: SPENDING

- Nutrition title makes up the bulk of spending, mostly Supplemental Nutrition Assistance Program.

- SNAP is largest constituency in farm bill (over 40 million participants)

- Conservation expanded from retirement policies to working lands.

- Crop insurance spending and role has grown since Agriculture Risk Protection Act of 2000.

Figure 2. Projected Outlays in the 2014 Farm Bill
(five-year projected mandatory outlays FY2014-FY2018 in billions of dollars by title)


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2012 Presidential Election popular vote; more than 129 million votes cast (FEC).

House Election Results
Source: http://elections.nytimes.com/2014/results/house

2014 Midterms: more than 83 million ballots counted. (http://www.electproject.org/2014g)

USDA counted 2.1 million farms in the 2012 Census

Source: http://www.princeton.edu/~rvdb/JAVA/election2012/
2012 Senate Farm Bill Vote
Passed 64 to 35

2013 Senate Farm Bill Vote
Passed 66 to 27

Green = 2 Yes
Red = 0 Yes
Striped = 1 Yes

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CHALLENGED IN 2014 DEBATE: HOUSE

Farm Bill defeated June 20, 2013 (195 to 234) after controversial SNAP amendments.

Final Passage of the Agricultural Act of 2014 on January 29, 2014 (251 to 166) without controversial SNAP amendments.
Part 3.

LOOKING AHEAD TO THE NEXT FARM BILL.
ISSUES FOR NEXT FARM BILL

1. Lower prices & incomes
2. Farm Policy Debate
   - Lower baseline
   - Revenue vs. Price; cotton?
3. Natural Resources Challenges...water
4. Spending and Priorities
   - Lower Baseline
   - Farm Programs; Conservation; Crop Insurance; SNAP
1. Lower Prices & Incomes

Marketing Year Average Prices

Note: NASS Quick Stats; project prices, CBO March 2016 Baseline
2. **FARM POLICY DEBATE**

- ARC/PLC Election provides perspective on split in farm policy views.

- Majority of base acres in ARC-CO due to high election by corn and soybeans.

- Cotton removed due to WTO dispute with Brazil; seeking a return?

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**Figure 1. Percent of Base Acres Enrolled in ARC and PLC.**

Source: Farm Service Agency

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2. Farm Policy Debate: Soybeans

[Graph showing Acres Planted (NASS) from 1997 to 2014 for various crops including Corn, Cotton, Wheat, Soybeans, and Other Feed Grains.]

[Map of the United States showing soybean production and crop areas.]

Note: The agricultural data used to create the map and crop calendar were obtained from the National Agricultural Statistics Service at http://www.nass.usda.gov.

- Major areas combined account for approximately 70% of the total national production.
- Major and minor areas; combined account for approximately 90% of the total national production.
- Major and minor areas and state production percentages are derived from NASS county- and state-level production data from 2006-2019.
3. **NATURAL RESOURCE CHALLENGES...WATER**

- MRB is third largest drainage basin in the world (41% of the 48 contiguous states);

- 5,000 sq. mi. dead zone (2014); Agriculture may contribute as much as 70% of delivered nitrogen and phosphorous

- Plus: Chesapeake Bay; Western Lake Erie; Drought and water quantity problems in the West.

4. Spending & Priorities

• With budget pressure: partisan and difficult; competition for resources

• A question of priorities within the farm policy budget baseline.
Part 5.

RECONCILIING WITH NEEDS
Gross farm income, production expenses, and net farm income, inflation adjusted, 2000-16F

$ billion (constant 2009)

Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2009=100.

MANAGING FARM RISKS: FARM PROGRAMS

**Target Prices**

- Corn Target
- CornMYA
- Wheat Target
- WheatMYA
- Cotton Target
- CottonMYA

![Map of projected 2016 ARC-CO Payments for Corn (US map)]

**Notes:**
- Some counties have irrigated and non-irrigated payments. In this map, payments are reported for irrigated farmland.

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MANAGING FARM RISKS: CROP INSURANCE

Note: Farmer benefit calculated as total indemnities minus farmer paid premium (RMA).

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MANAGING FARM RISKS: CONSERVATION

• What programs or policies (working lands vs. retirement) are most effective for farming’s challenges?

• What will be most effective for related issues such as consumer demands and push for sustainability?

CBO March 2016 Baseline-Conservation (Millions)

CRP  CSP  EQIP  ACEP  RCPP

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MANAGING POLITICAL RISKS: COALITION

CBO March 2016 Baseline (Billions)

CBO March 2016 Baseline (Billions)

Commodities
Crop Insurance
Conservation
SNAP

ARC/PLC Participants
SNAP Participants
THANK YOU!

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