

How Did We Get Here?

- and by the way where are we?

Keith Coble



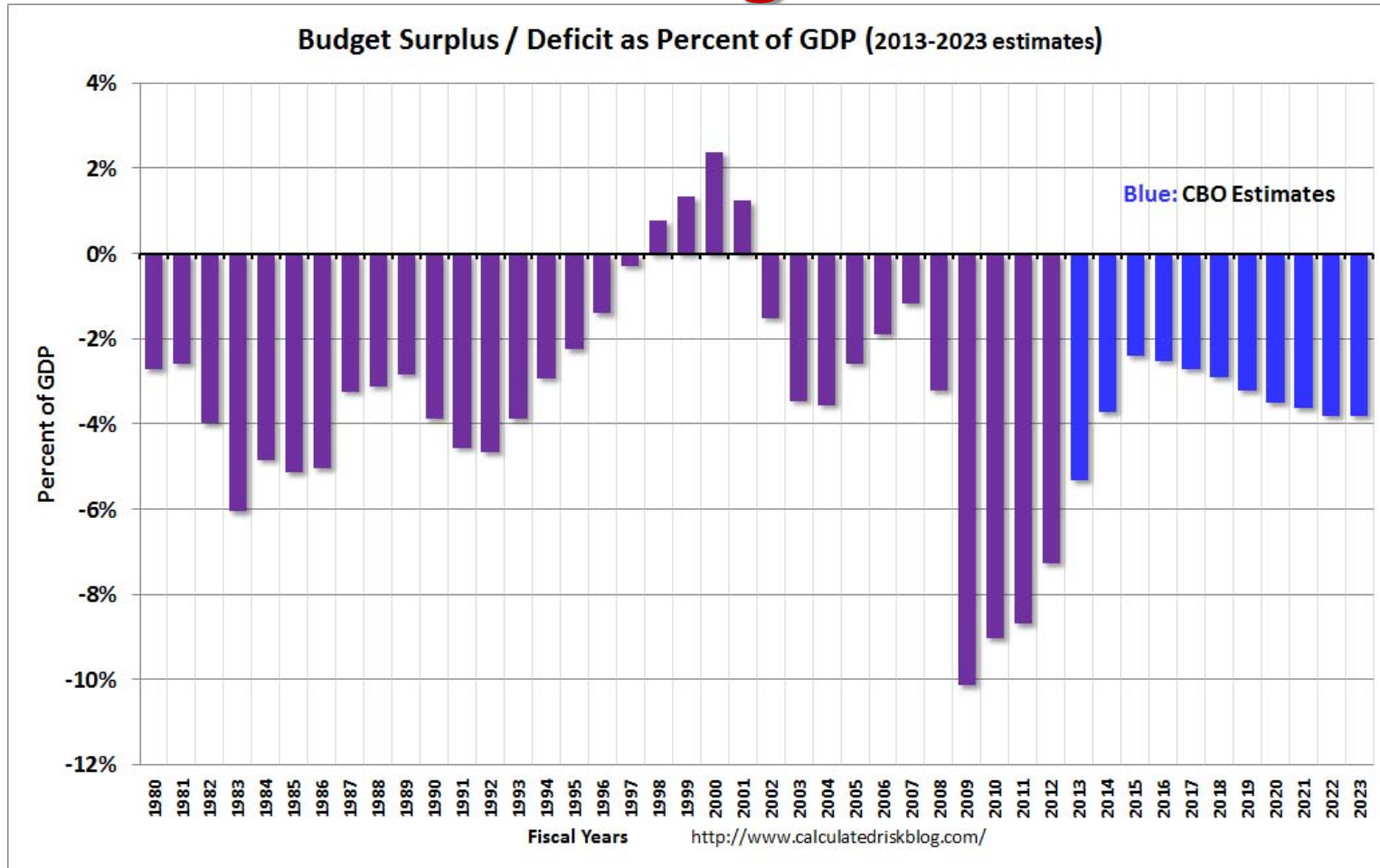
The ~~2011~~, ~~2012~~, ~~2013~~, 2014 Farm Bill

- 112th United States Congress Joint Select Committee on Deficit Reduction (aka the “Supercommittee”).
 - Senate and House Ag. Committees proposed new farm bill language, but the Supercommittee failed to reach an agreement.
- Congress did not adopt a new farm bill in 2012 as scheduled.
 - Senate adopted farm bill legislation (though many southern Senators on Committee voted against the legislation).
 - House Agriculture Committee reported a bill that was not considered by the full House of Representatives
- 2008 farm bill was extended through the end of 2013.

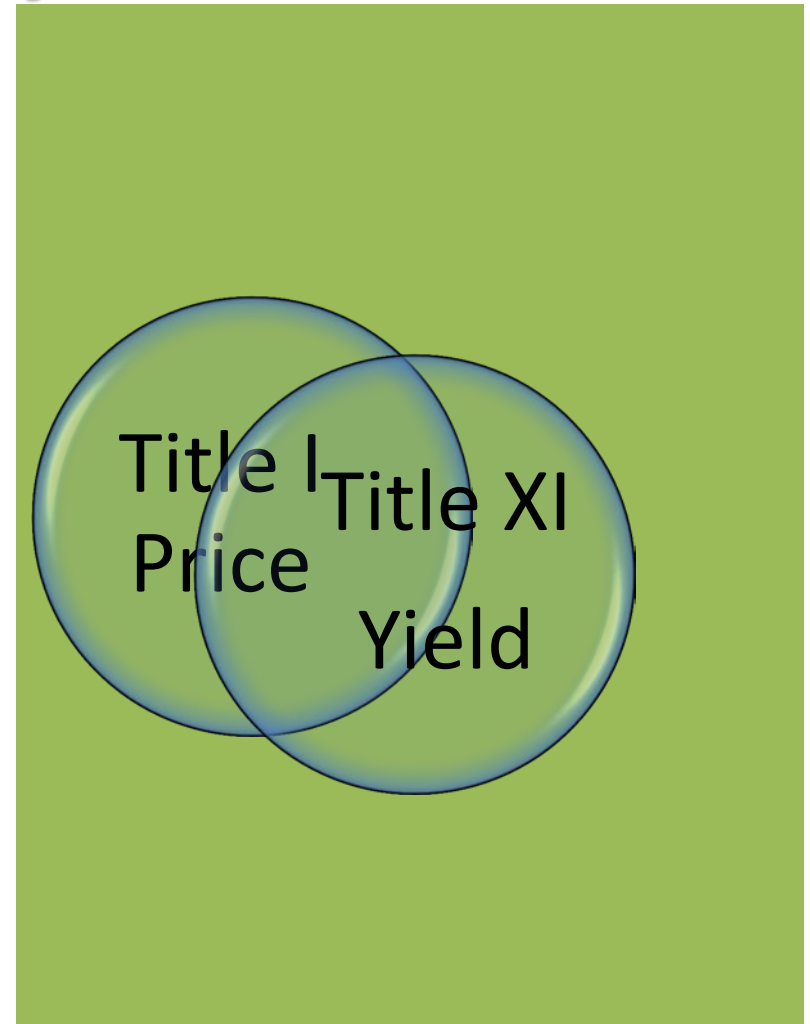
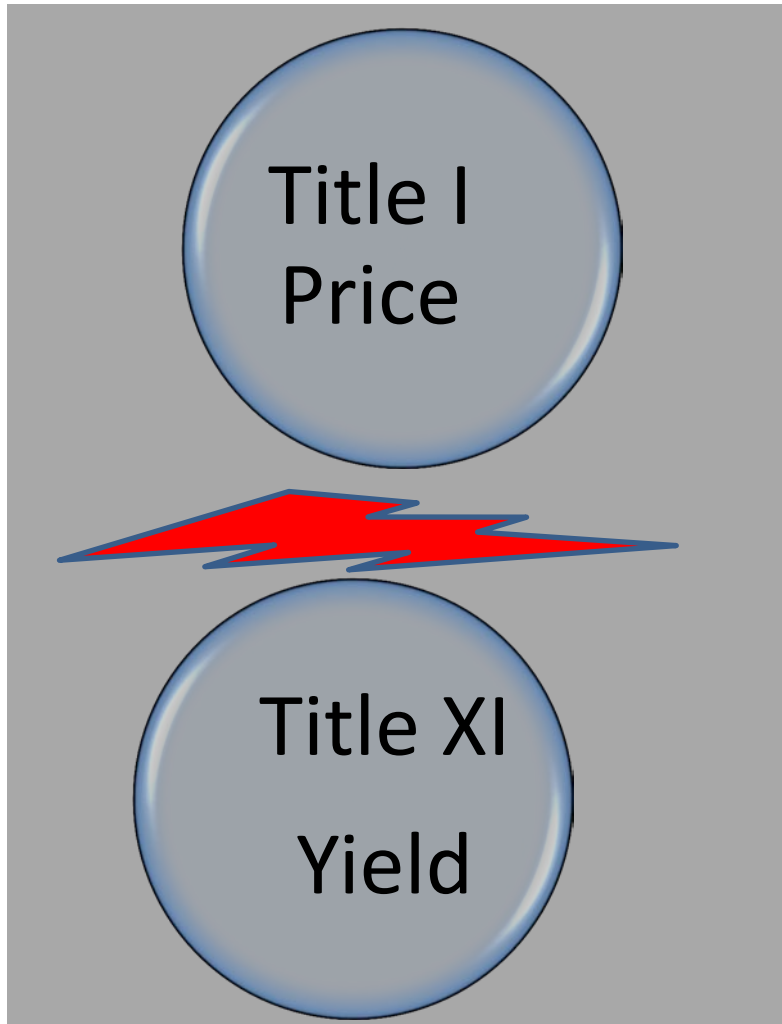
Farm Bill 2013

- Senator Cochran is named Ranking Minority Member of the Senate Committee on Agriculture, Nutrition, and Forestry.
 - Senate passed farm bill legislation in June.
 - House Committee on Agriculture report out a farm bill in May. The bill is defeated on the House floor in June.
 - Nutrition programs (title IV) are stripped out of House bill. Remaining titles are adopted by House in July. Nutrition legislation is subsequently adopted by House.
- Extension of 2008 farm bill expired January 1.
- Conference completed the Agricultural Act of 2014 on January 27, 2014
 - House approved on January 29 and Senate on February 4.
 - The President signed on February 7
 - Now in the hands of USDA to implement

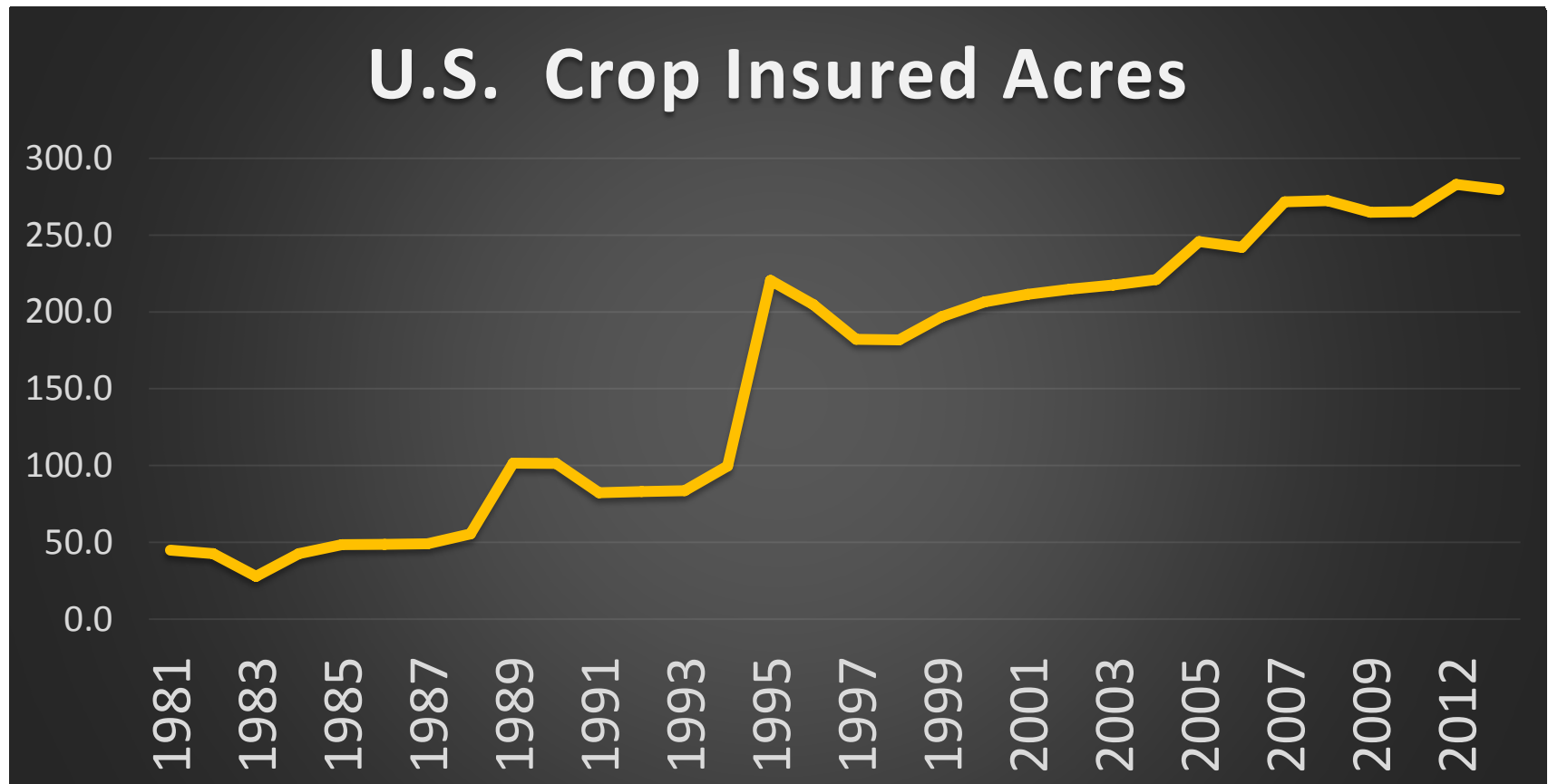
The Farm Bill was couched in the context of budget deficits = cuts



The Evolution of Farm Program Policy & Analysis

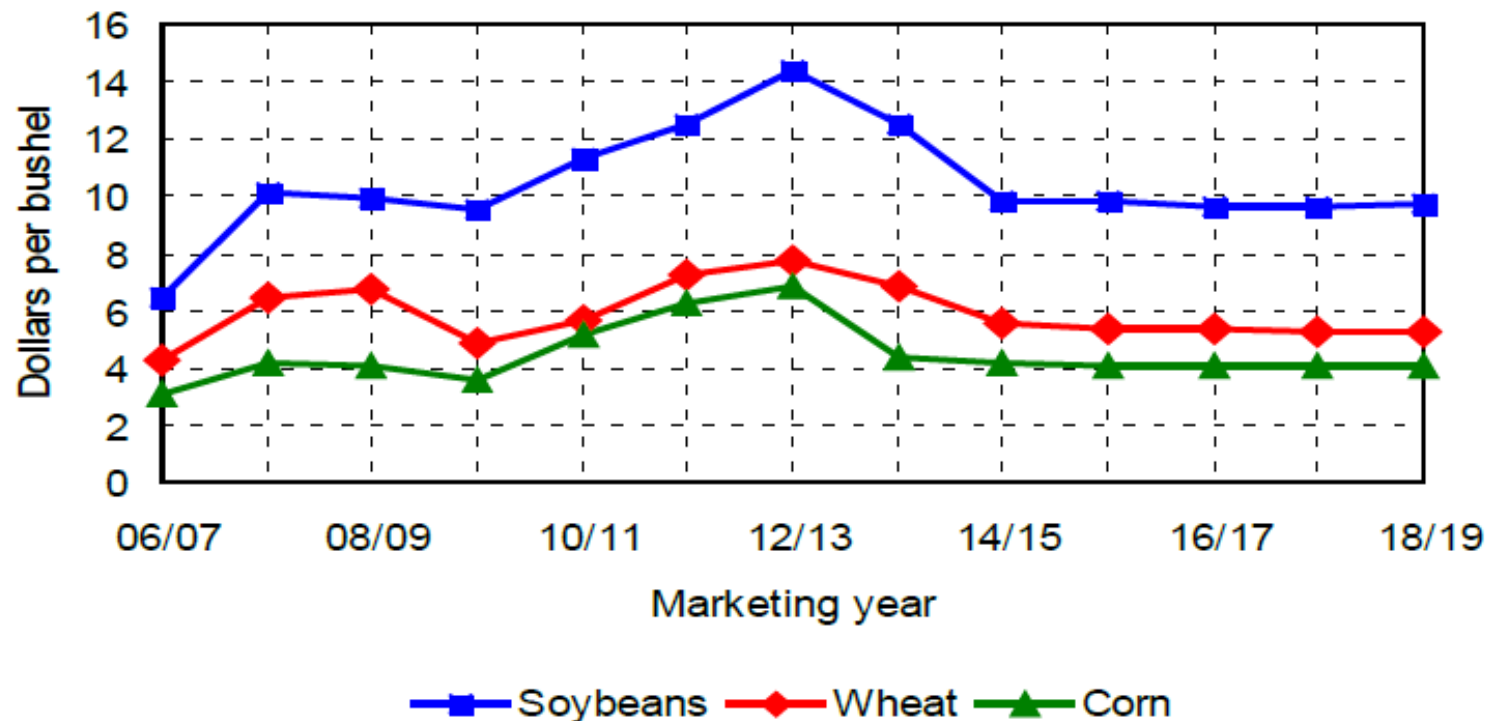


Crop Insurance had grown by five-fold
--- apparently supplanted Ad hoc programs
--- Insured price risk
--- Insured area yield and revenue



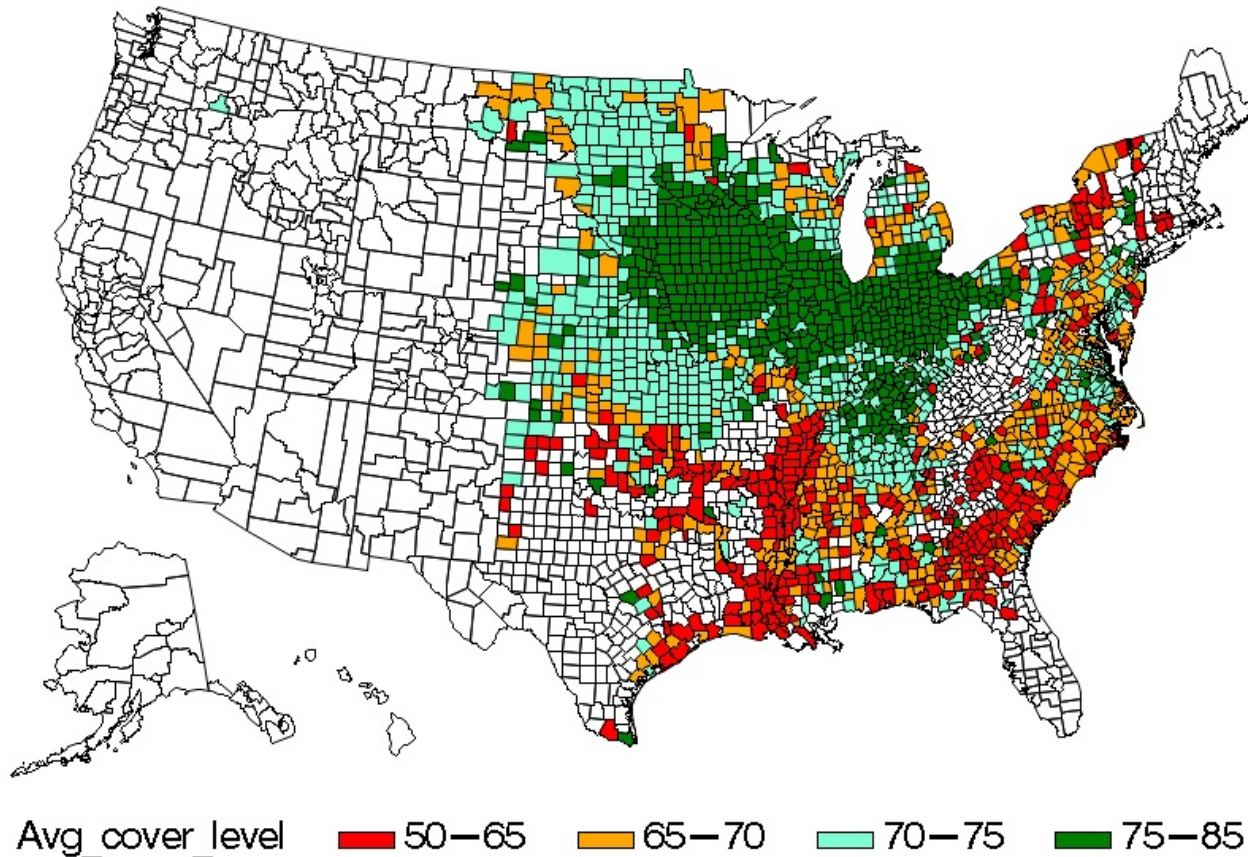
FAPRI's Baseline reports confirmed a general perception we were in a period of high prices

Crop prices fall back to 2007-2009 levels



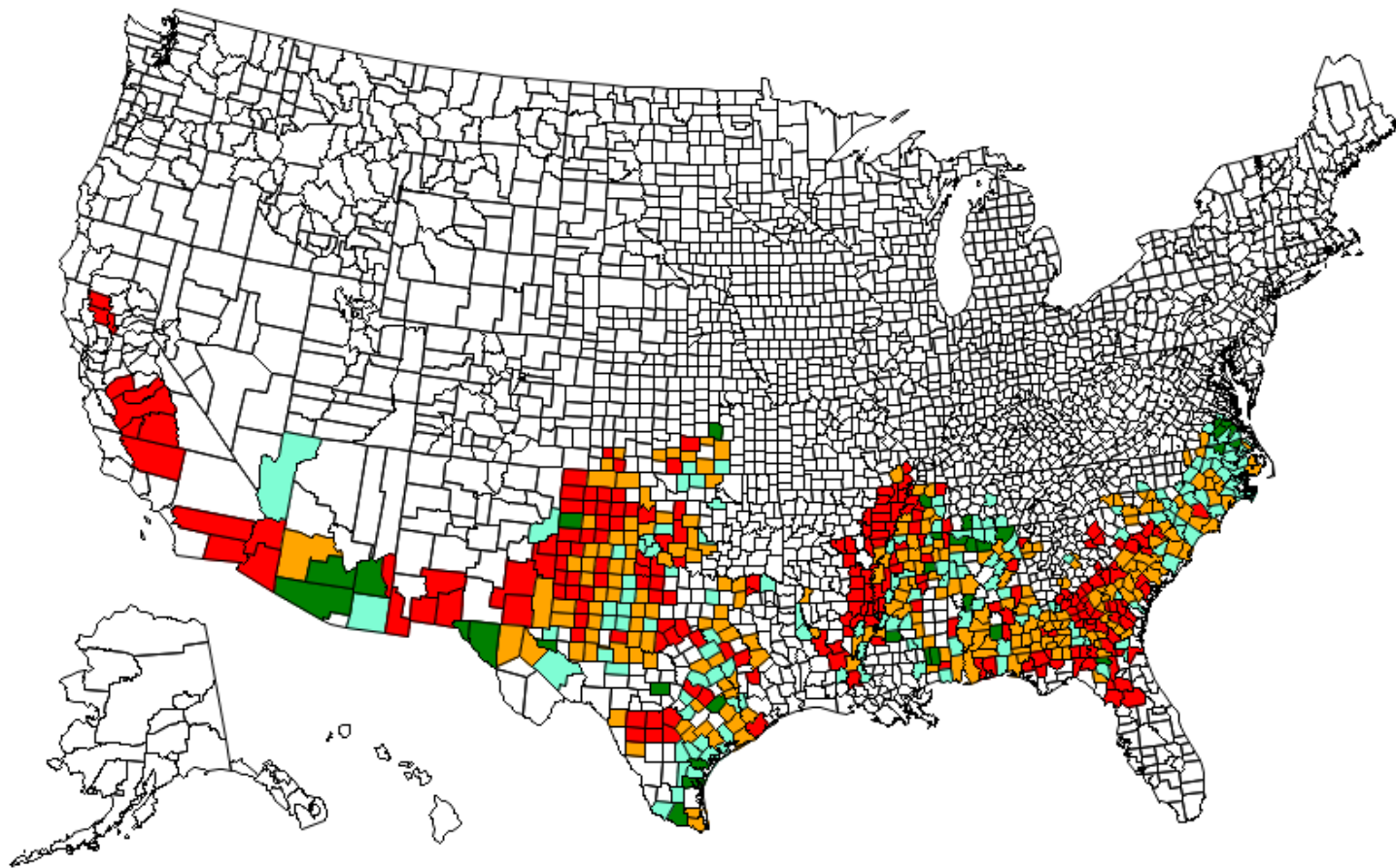
2013 Soybean Coverage Levels

2013 Soybean Average Coverage Level



2013 Cotton Coverage Levels

2013 Cotton Average Coverage Level



Avg_cover_level ■ 50—65 ■ 65—70 ■ 70—75 ■ 75—85

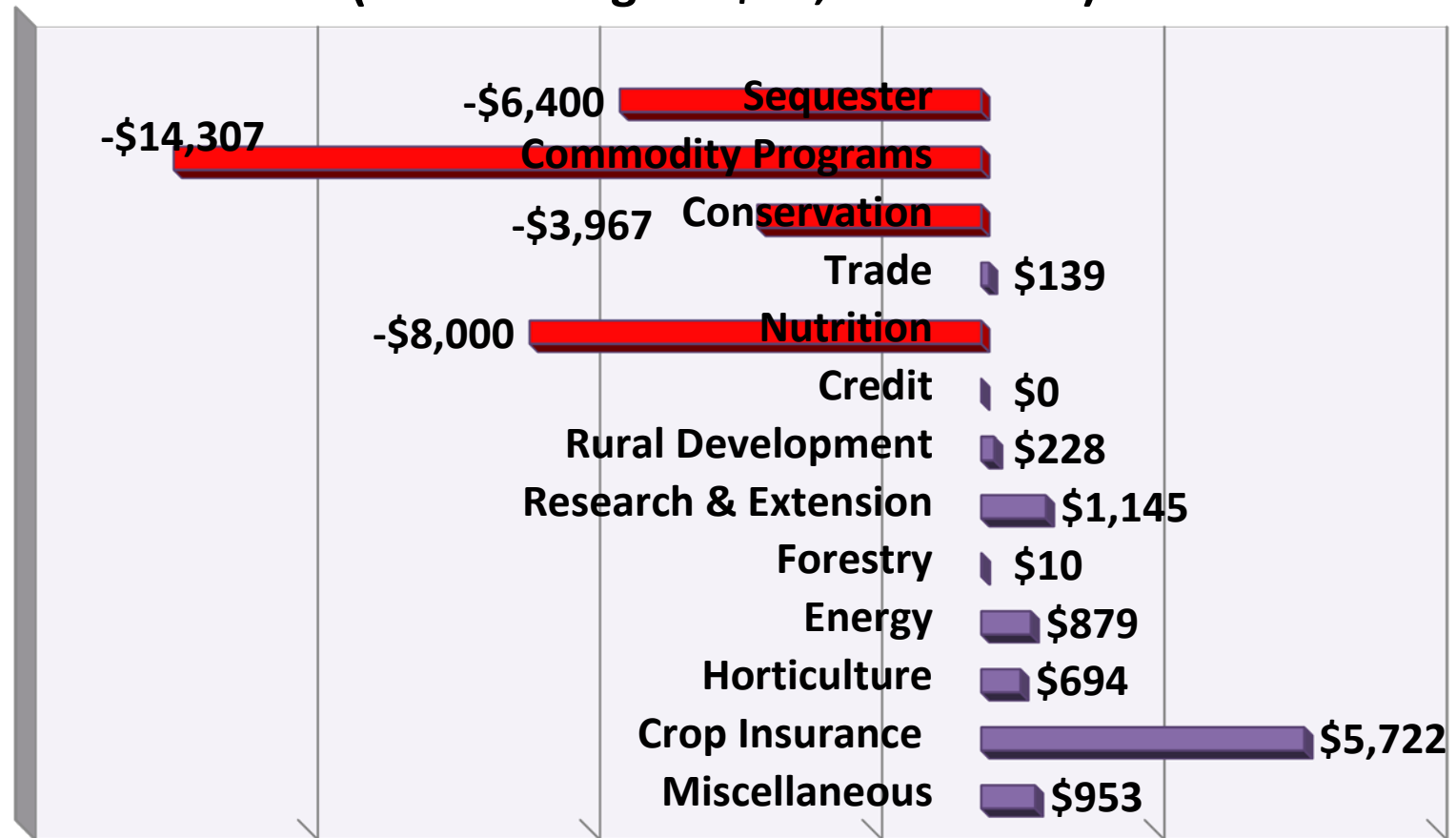
Base Acres Versus Planted Acres

-- became a hot button issue

-- distortion versus risk protection

Crop	CBO Estimate of Base Acres millions	CBO Estimate of Planted Acres millions	% Difference
Corn	84.1	90.0	7%
Soybeans	50.1	76.7	53%
Wheat	73.8	52.5	-29%
Cotton	18.1	10.9	-40%
Rice	4.4	3.1	-31%
Peanuts	1.5	1.3	-9%

Agricultural Act of 2014 Budget Implications (Total Savings of \$23,008 million)

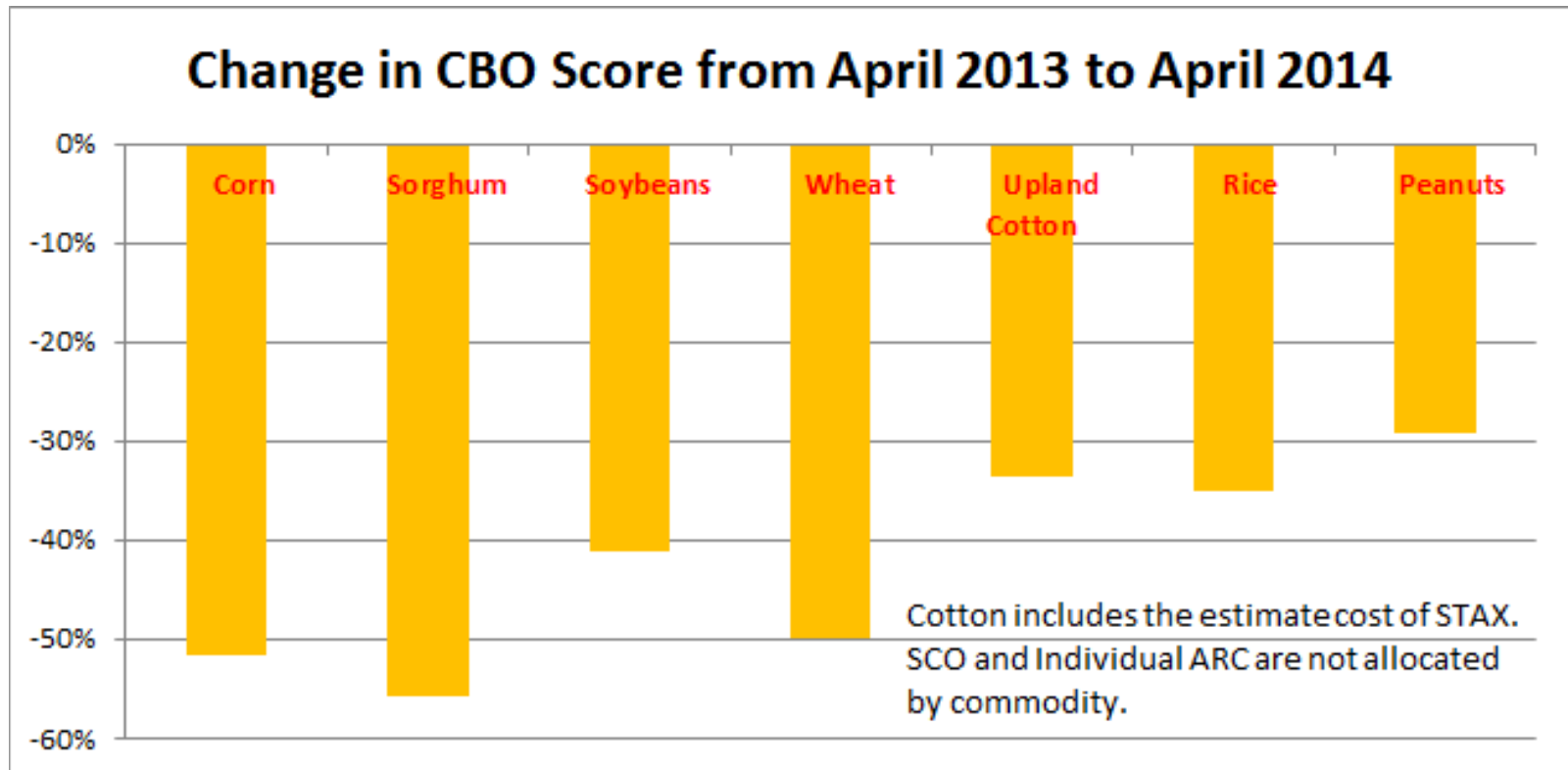


Change in Baseline Funding (Millions)

CBO Baseline Update shows lower prices = lower baseline not higher because it lowers crop insurance subsidy

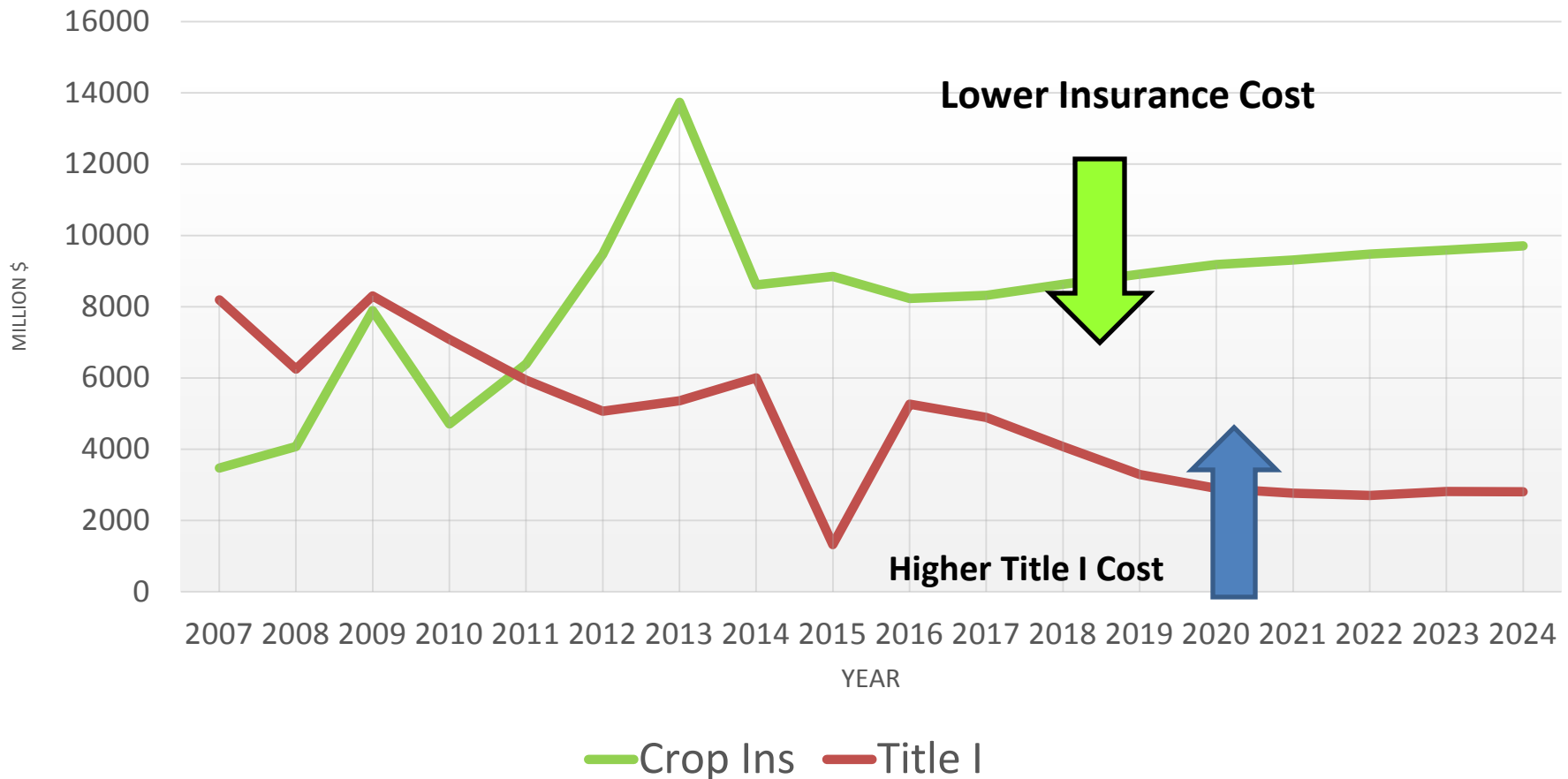
CBO Baseline	4/1/2013	4/1/2014	
	2013-23 projected cost	2014-24 projected cost	Change
Total Title I Crop Payments	\$58,835	\$33,848	-42%
Total Crop Insurance Cost	\$95,979	\$93,288	-3%

Budget Outcomes



So what do lower prices do to these Baselines?

2007-2013 CBO Actual and April 2014 Projected
Outlays



The Splintering into Commodity “Teams”

Teams	Commodities	Preferred Policy	Motive
Revenue-ers	Corn and Soybeans	Shallow Loss Revenue (County ARC)	Negative price-yield correlation, Buying high levels of crop insurance coverage, liked Olympic average price
Traditionalists	Rice, Peanuts Southern wheat	Price targets (PLC)	Rice has mostly price and input cost risk, peanuts are highly contracted, buy lower crop insurance coverage
Bold Movers	Cotton	STAX	WTO, Recognized Title 11 was golden and Title 1 controversial
The other white crop	Milk	Dairy margin/supply control	Wanted ‘pseudo-insurance’ (insurance with legislated premiums)
Big County Crowd	Mountain State wheat	Individual ARC	Perceived county triggered programs will not work in large

The Non-commodity “Teams”

Teams	Preferred Policy	Motive
Environmental Dealers	Conservation compliance	Pragmatic get your foot in the door on insurance
Environmental No-dealers	Reduce Title 1 and 11	Throw a bomb in the room
The Tea Party-Heritage faction	Reduce Title 1 and 11	Throw a bomb in the room
The traditional “Foodie”	Support SNAP, WIC, School Lunch	Assist the poor
The Neo-Foodie	Local food, GMOs, specialty crops, animal welfare	Assist the up-scale consumer

How Did We Get Here?

--- So where is here?

- Unchanged
 - Yield risk with continuing technological change
 - Price risk
- Changed
 - Program Complexity - UP
 - Benefits -- DOWN
 - Implementation – DIFFICULT
 - Decision Making for Producers - COMPLEX
- Agricultural Act of 2014
 - Lots of opportunity to help
 - We can also harm

Questions

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