



Ag Policy and Risk Management

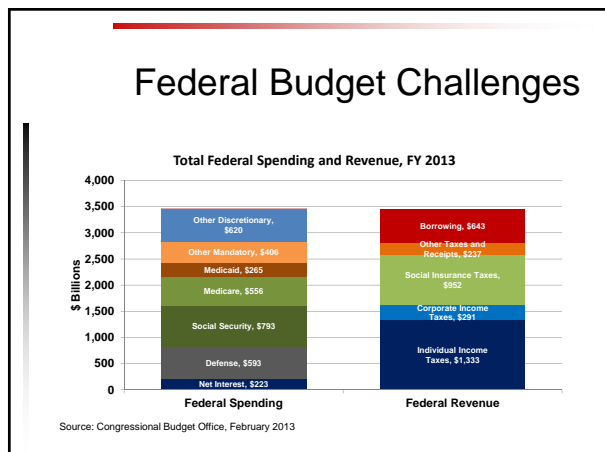
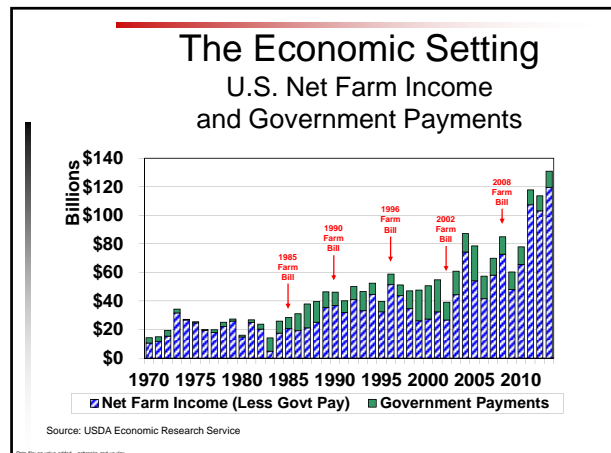
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Farm Bill Budget

Area	Updated 2014-2023 Baseline	Senate Proposal (\$954)	House Proposal (HR1947)*
Commodities	\$58.8 billion	-\$17.4 billion	-\$18.6 billion
Crop Insurance	\$84.1 billion	+\$5.0 billion	+8.9 billion
Conservation	\$61.6 billion	-\$3.5 billion	-\$4.8 billion
Nutrition (SNAP)	\$764 billion	-\$3.9 billion	-\$20.5 billion
Total	\$973 billion	-\$17.9 billion	-\$33.4 billion

* H.R. 1947 failed in the House in June. The language of H.R. 1947, minus the Nutrition title, passed in the House in July as H.R. 2642. New language for the Nutrition title passed in the House in September as H.R. 3102 and is estimated to reduce spending by \$39 billion from current baseline projections.

Farm Bill Outlook

- ◆ Commodity program safety net has evolved over time
 - Price support and supply control
 - Income support tied to price and revenue
 - Risk management
- ◆ Expected future program directions
 - Crop insurance as the foundation
 - Revenue safety net to complement crop insurance
 - Price safety net as an alternative
 - Underlying marketing loan
 - Supplemental crop insurance
 - Disaster assistance
 - No direct payments

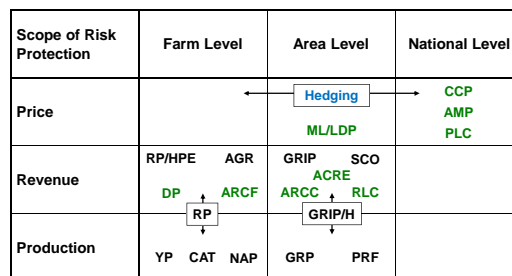
Farm Bill Safety Net Commodity Program Proposals

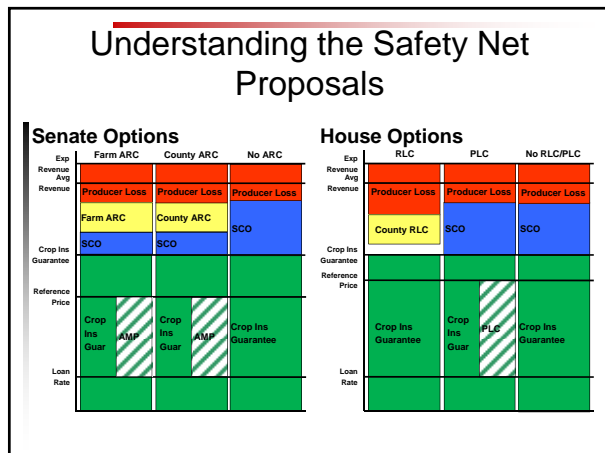
Component	Senate Bill (S954)		House Bill (HR2642)	
	Farm/County ARC	AMP (part of ARC)	RLC	PLC
Guarantee	Farm/county revenue	National price	County revenue	National price
Benchmark	5-yr Oly average yield x 5-yr Oly average national price	55% of 5-year Oly average national price; fixed reference prices for rice and peanuts	5-yr Oly average yield x 5-yr Oly average national price	Fixed reference prices
Payment trigger	Revenue < 88% of benchmark	National price < reference price	Revenue < 85% of benchmark	National price < reference price
Payment coverage	78 - 88% of benchmark	Reference price – national price	75 - 85% of benchmark	Reference price – national price
Payment acres	65/80% of planted acres (45% of prevent-plant)	85% of base acres	85% of planted acres (30% of prevent-plant)	85% of planted acres (30% of prevent-plant)
Loan rate	Same as 2008 for most commodities; formula for upland cotton			

Farm Bill Safety Net Crop Insurance Proposals

Provision	Senate Bill (S954)		House Bill (HR1947)	
	ARC participants	Non-ARC participants	RLC participants	PLC participants
SCO deductible subsidy rate	22%	10%	N.A.	10%
SCO subsidy rate	65%		65%	
STAX (cotton only) coverage band	70-90%		70-90%	
STAX (cotton only) subsidy rate	80%		80%	

The Farm Income Safety Net “A Multiplicity of Confused Concepts”





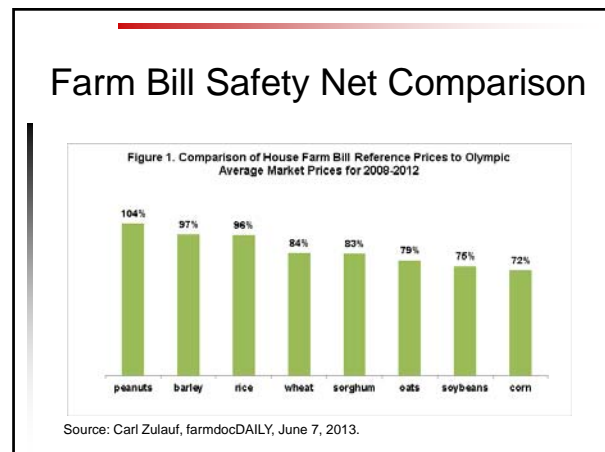
Farm Bill Outlook

- ◆ Major policy questions for the design of the safety net
 - Price protection vs. revenue protection
 - Shallow loss vs. deep loss
 - Planted acres vs. base acres
 - Average guarantee vs. fixed guarantee
 - Income support vs. risk management

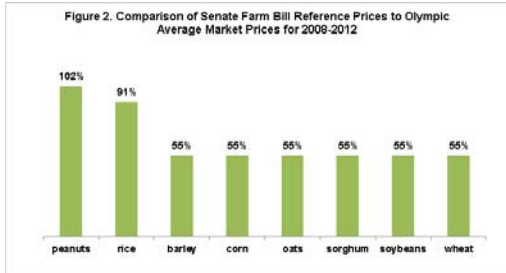
Commodity Program Rates Proposed Reference Prices

Commodity	2010-2013	S954	HR1947
Wheat (bu)	\$4.17	\$3.62*	\$5.50
Corn (bu)	\$2.63	\$2.95*	\$3.70
Sorghum (bu)	\$2.63	\$2.81*	\$3.95
Barley (bu)	\$2.63	2.90*	\$4.95
Oats (bu)	\$1.79	1.65*	\$2.40
Rice (cwt)	\$10.50	\$13.30	\$14.00
Soybeans (bu)	\$6.00	6.29*	\$8.40
Peanuts (ton)	\$495.00	\$523.77	\$535.00
Upland cotton (lb)	\$0.7125	-	-

* Estimated target prices for 2014 based on Olympic average of 2009-2013 crop marketing year average prices and current market price projections.

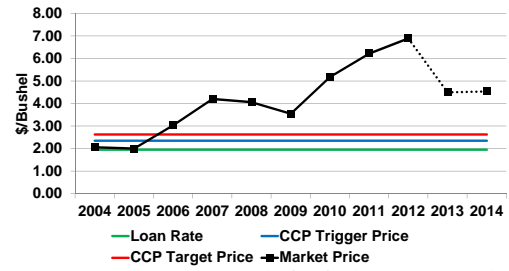


Farm Bill Safety Net Comparison



Source: Carl Zulauf, farmdocDAILY, June 7, 2013.

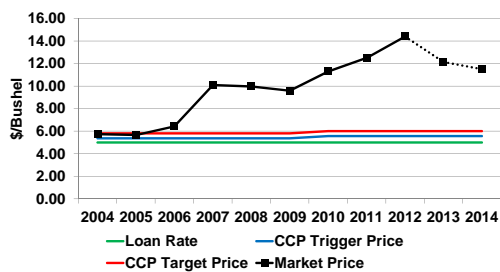
Farm Income Safety Net Corn Prices and CCP/ML*



* Estimated national marketing year average price for 2013 projected from USDA-WAQB as of November 8, 2013. Projected price for 2014 estimated from 2014 new crop futures market bids.

Source: USDA-FSA, USDA-NASS, and USDA-WAQB

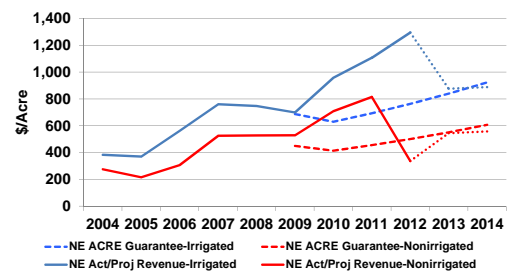
Farm Income Safety Net Soybean Prices and CCP/ML*



* Estimated national marketing year average price for 2013 projected from USDA-WAQB as of November 8, 2013. Projected price for 2014 estimated from new crop futures market bids.

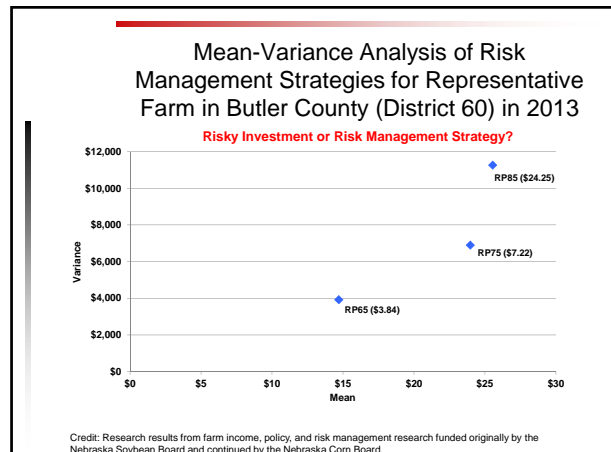
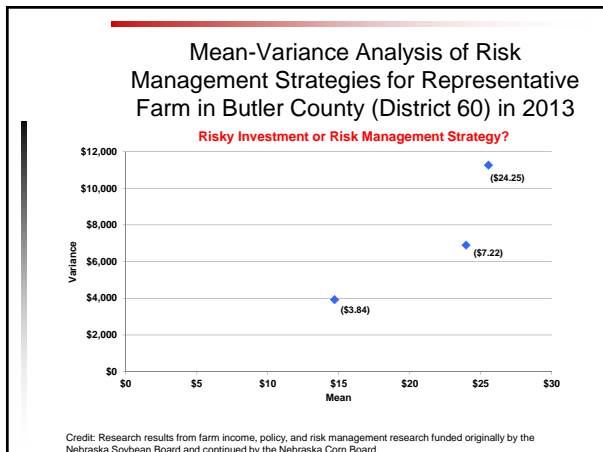
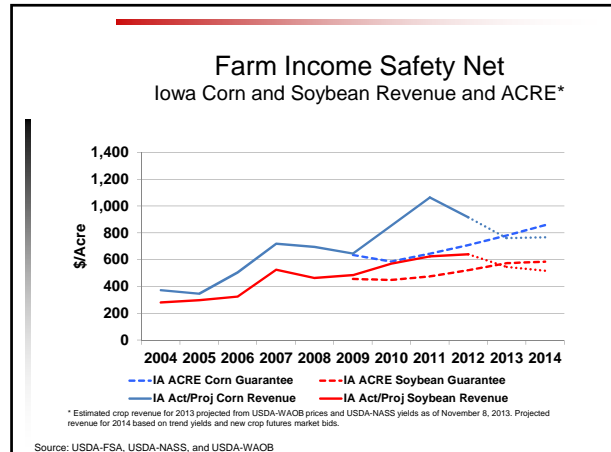
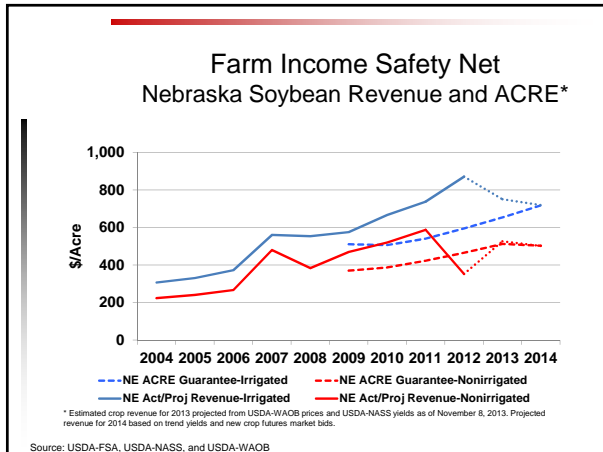
Source: USDA-FSA, USDA-NASS, and USDA-WAQB

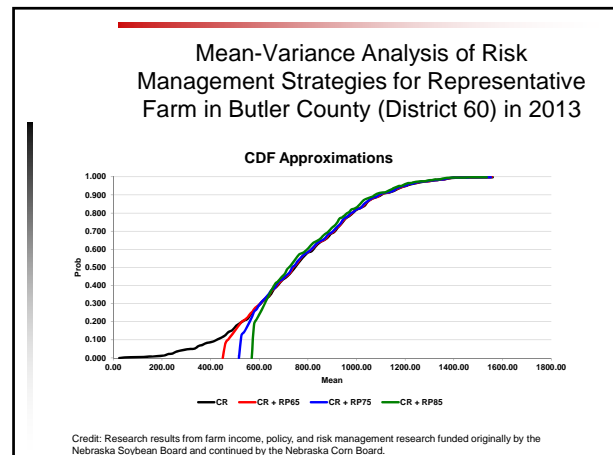
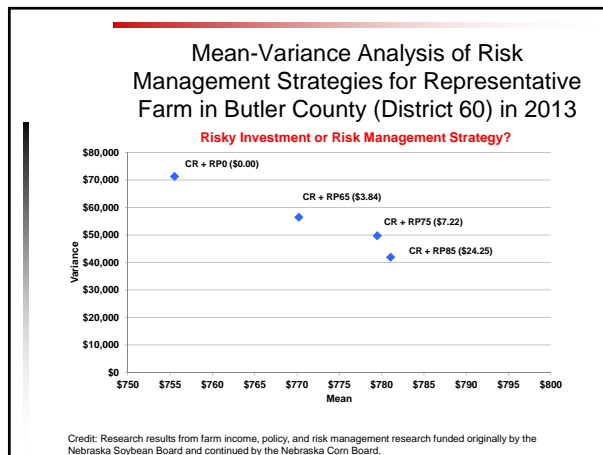
Farm Income Safety Net Nebraska Corn Revenue and ACRE*



* Estimated crop revenue for 2013 projected from USDA-WAQB prices and USDA-NASS yields as of November 8, 2013. Projected revenue for 2014 based on trend yields and new crop futures market bids.

Source: USDA-FSA, USDA-NASS, and USDA-WAQB





- ## Farm Bill Outlook
- ◆ Major policy questions if crop insurance is the foundation of the safety net
 - Payment limits/eligibility
 - Means testing
 - Subsidy limits
 - Conservation compliance
 - Interaction with commodity programs

- ## Farm Bill Outlook
- ### Analysis of Farm Program and Crop Insurance Alternatives
- ◆ Research analysis
 - Paper presented at AAEA Farm Program and Crop Insurance Symposium
 - Collaborators include Brad Lubben, Matt Stockton, Iulia Protopop, and Jim Jansen
 - Research supported by the Nebraska Corn Board
 - Analysis using farm income and risk simulation model
 - ◆ 4 crop insurance alternatives
 - No crop insurance
 - 65% RP
 - 75% RP
 - 85% RP
 - ◆ Complementary SCO coverage
 - No program, PLC
 - 0-90%, 65-90%, 75-90%, 85-90%
 - ARCF, ARCC
 - 0-78%, 65-78%, 75-78%
 - ACRE, RLC
 - No SCO
 - ◆ 6 farm program alternatives
 - No program
 - ACRE – modified based on 5-year Olympic average price
 - ARCF
 - ARCC
 - RLC
 - PLC

Farm Bill Safety Net Comparison

Average Farm Program Payments per Acre for Nonirrigated Corn
Butler County (District 60 – East) (March 2013 Baseline)

Farm Program	None	ACRE	ARCF	ARCC	RLC	PLC
Mean	\$0.00	\$5.31	\$15.87	\$12.77	\$10.81	\$0.00
StDev	0.00	19.90	20.53	21.61	20.89	0.00
CV	0.00	374.81	129.40	169.20	193.25	0.00
Min	0.00	0.00	0.00	0.00	0.00	0.00
Max	0.00	148.69	44.47	54.73	56.17	0.00

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

Farm Bill Safety Net Comparison

Average Farm Program and SCO Payments per Acre for Nonirrigated Corn,
Butler County (District 60 – East) (March 2013 Baseline)

Farm Program/SCO Band	No Program/90-0	No Program/90-65	No Program/90-75	No Program/90-85
Mean	\$15.63	\$14.57	\$11.77	\$5.25
Farm Program/SCO Band	ACRE/ -	ACRE/ -	ACRE/ -	ACRE/ -
Mean	\$5.31	\$5.31	\$5.31	\$5.31
Farm Program/SCO Band	ARCF/78-0	ARCF/78-65	ARCF/78-75	ARCF/ -
Mean	\$20.59	\$19.48	\$17.17	\$15.87
Farm Program/SCO Band	ARCC/78-0	ARCC/78-65	ARCC/78-75	ARCC/ -
Mean	\$17.49	\$16.38	\$14.08	\$12.77
Farm Program/SCO Band	RLC/ -	RLC/ -	RLC/ -	RLC/ -
Mean	\$10.81	\$10.81	\$10.81	\$10.81
Farm Program/SCO Band	PLC/90-0	PLC/90-65	PLC/90-75	PLC/90-85
Mean	\$15.63	\$14.57	\$11.77	\$5.25

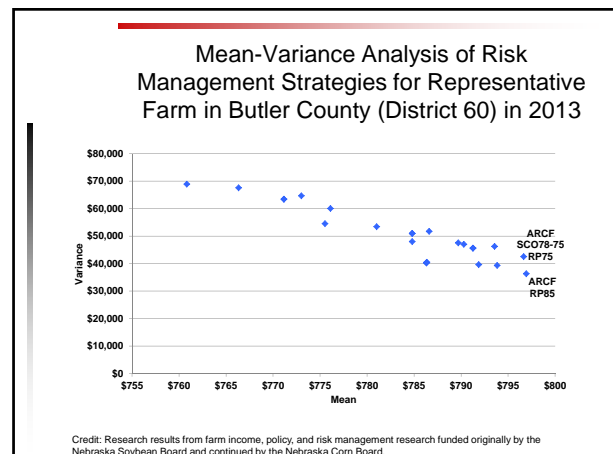
Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

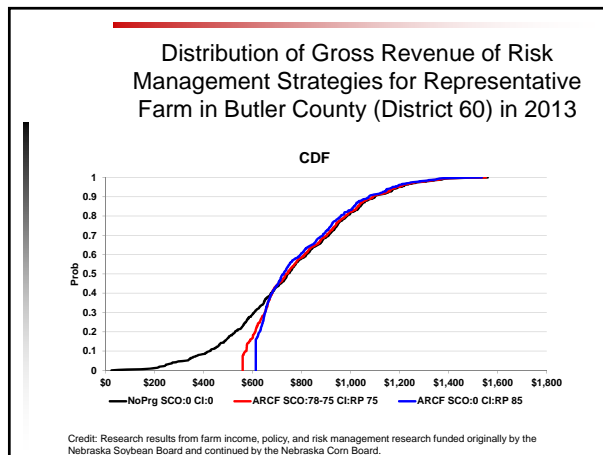
Farm Bill Safety Net Comparison

Average Total Revenue per Acre for Nonirrigated Corn
Butler County (District 60 – East) (March 2013 Baseline)

Farm Prog/SCO Band/RP Band	No Program/90-0/0	No Program/90-65/65	No Program/90-75/75	No Program/90-85/85
Mean	\$771.14	\$784.77	\$791.24	\$786.30
Farm Prog/SCO Band/RP Band	ACRE/ - /0	ACRE/ - /65	ACRE/ - /75	ACRE/ - /85
Mean	\$760.81	\$775.51	\$784.78	\$786.35
Farm Prog/SCO Band/RP Band	ARCF/78-0/0	ARCF/78-65/65	ARCF/78-75/75	ARCF/ - /85
Mean	\$776.09	\$789.67	\$796.64	\$796.91
Farm Prog/SCO Band/RP Band	ARCC/78-0/0	ARCC/78-65/65	ARCC/78-75/75	ARCC/ - /85
Mean	\$772.99	\$786.58	\$793.54	\$793.81
Farm Prog/SCO Band/RP Band	RLC/ - /0	RLC/ - /64	RLC/ - /75	RLC/ - /85
Mean	\$766.31	\$781.01	\$790.28	\$791.85
Farm Prog/SCO Band/RP Band	PLC/90-0/0	PLC/90-65/65	PLC/90-75/75	PLC/90-85/85
Mean	\$771.14	\$784.77	\$791.24	\$786.30

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Percent of Times Safety Net Payments Exceed Loss for Representative Farm in Butler County (District 60) in 2013

Risk Management Scenario	Safety Net Payments		
	ARCF	ARCF	ARCF
Farm Program	78-65	78-75	0
SCO Band	RP 65	RP 75	RP 85
Crop Insurance	RP 65	RP 75	RP 85
CR ≥ E[CR]	2.90%	2.49%	0.00%
CR < E[CR]	0.39%	0.39%	0.00%
CR < 90%*E[CR]	5.91%	0.39%	0.000%
Farm Program	PLC	PLC	PLC
SCO Band	90-65	90-75	90-85
Crop Insurance	RP 65	RP 75	RP 85
CR ≥ E[CR]	11.20%	9.96%	7.88%
CR < E[CR]	6.18%	2.70%	1.16%
CR < 90%*E[CR]	11.33%	2.70%	1.16%

Credit: Research results from farm income, policy, and risk management research funded originally by the Nebraska Soybean Board and continued by the Nebraska Corn Board.

- ## Conclusions
- ◆ Federal farm income safety net has evolved over time
 - Price support and supply control
 - Income support tied to price and revenue
 - Risk management
 - ◆ Farm income safety net is complex
 - Farm programs integrate with, complement, and substitute for crop insurance
 - Potential for program overlap exists, but is more an issue with farm- vs. county-level protection, not overlapping protection on the farm

- ## Conclusions
- ◆ Risk management decisions are complex
 - Risk management decisions need to be based on portfolio analysis, not program-by-program decisions
 - Producer decision tools and education are a critical need

Farm Bill Outlook

- ◆ Timeline
 - Progress in 2013
 - Reported progress the week of December 2
 - Potential agreement in principle in December
 - Details to drag into 2014
 - Expected early 2014 action
 - Short-term extension of current legislation – no enactment of permanent legislation
 - Potential farm bill tied up with budget negotiations
 - Potential extension of current legislation to push off the debate to 2015 if farm bill can't be completed
 - Fate of Direct Payments unknown, but cuts expected