

History of Farm Policy, Future of Farm Policy

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History of U.S. Agricultural Policy

- ◆ Land distribution
 - 1785-1890
- ◆ Education and research
 - 1830-1914
- ◆ Information and marketing assistance
 - 1870-1933
- ◆ Farm income support
 - 1924-Present



U.S. Farm Programs Historical Legislation

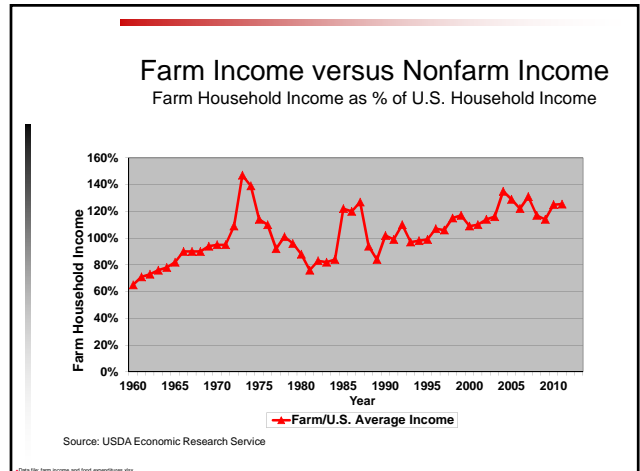
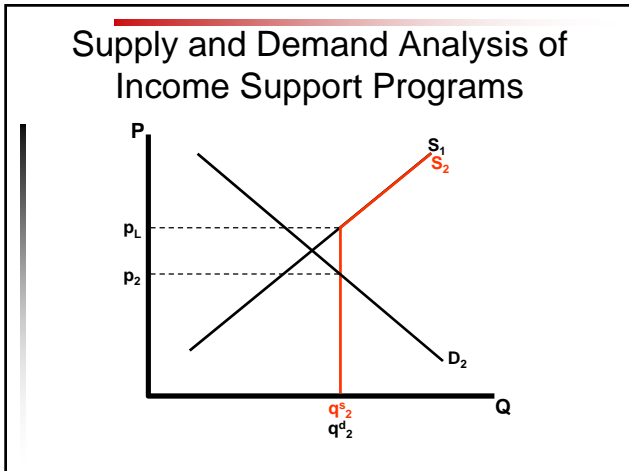
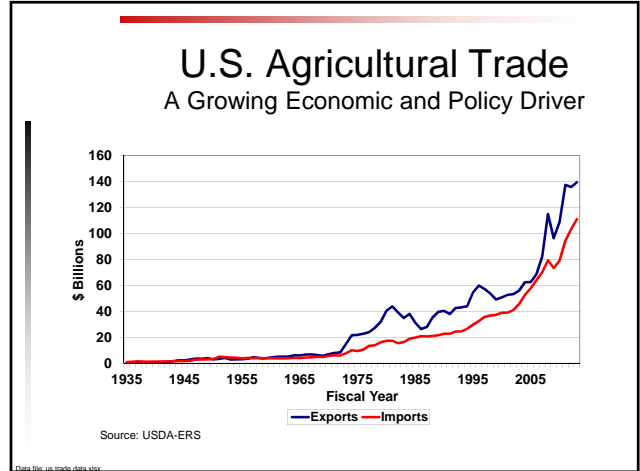
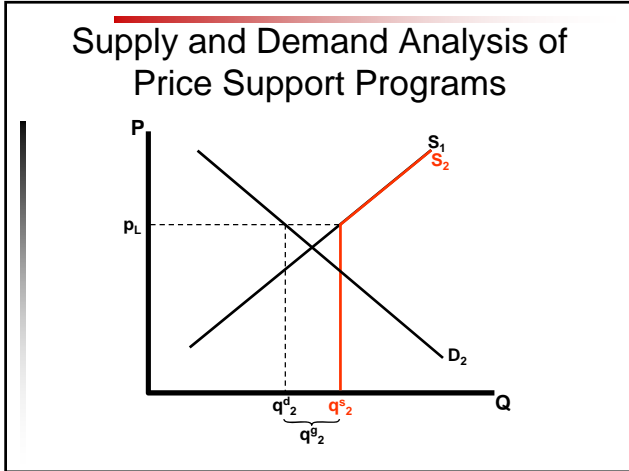
The beginnings of the "Farm Bill"...

- ◆ 1933 – Agricultural Adjustment Act
 - Established generic price support programs based on "parity" levels and acreage reduction programs
- ◆ 1936 – Soil Conservation and Domestic Allotment Act
 - Comprehensive bill provided income support and payments for soil-conserving practices

U.S. Farm Programs Historical Legislation

The development of the "permanent" Farm Bill...

- ◆ 1938 – Agricultural Adjustment Act
 - Re-authorized act of 1936 and initiated mandatory non-recourse loans
- ◆ 1948 – Commodity Credit Corporation Charter Act
- ◆ 1949 – Agricultural Act
 - Made several agricultural stabilization tools permanent, including government stocks, loans, food aid, and basic commodity support

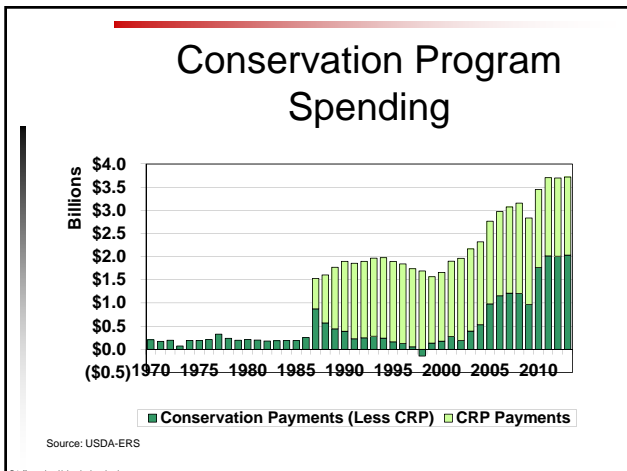
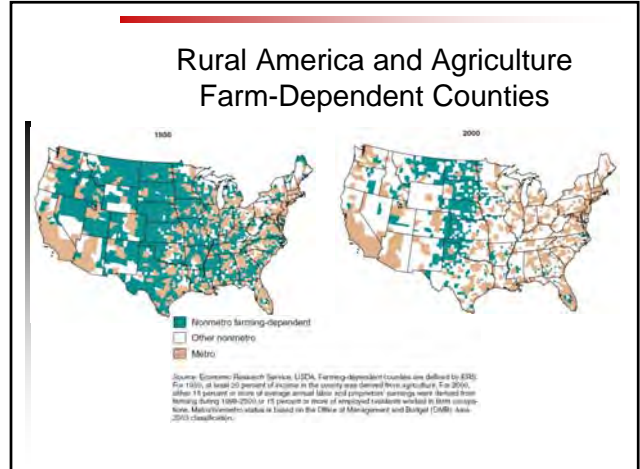


Food Supply

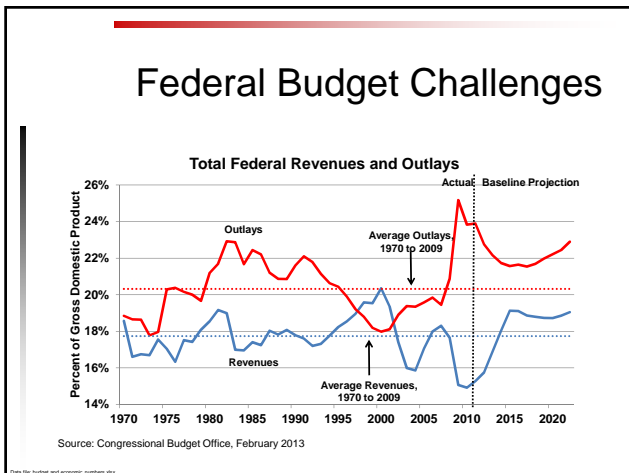
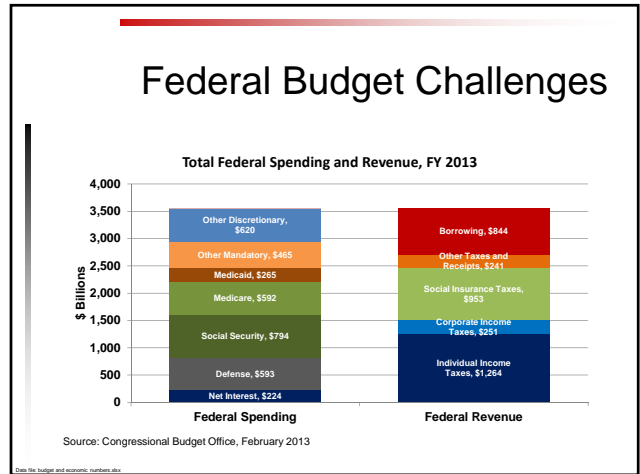
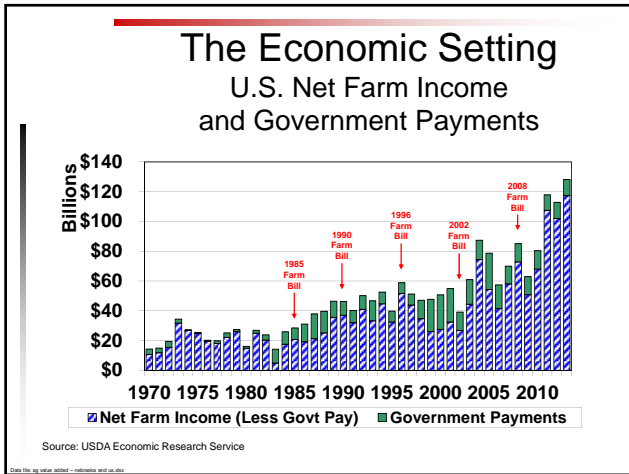
Share and Amount of Household Consumption Spent on Food Consumed at Home in 2011

Country	Share on Food (%)	Total Consumption (\$)	Food Consumption (\$)
United States	6.7	33,575	2,239
United Kingdom	9.4	23,728	2,225
Canada	9.7	27,632	2,688
Germany	11.1	23,937	2,658
France	13.3	24,576	3,263
Japan	14.7	27,143	3,988
Brazil	15.9	7,573	1,204
China	21.3	2,134	454
Mexico	22.7	6,819	1,547
India	26.3	892	235
Indonesia	31.9	1,981	631
Cameroon	46.9	964	452

Source: USDA Economic Research Service



- ### Transitioning Goals of Policy
- ◆ Saving the family farm → tools for farm businesses to reduce risk
 - ◆ Supply control → promoting demand, competitiveness, and international markets
 - ◆ Soil conservation → sustainable production and resource utilization
 - ◆ Food supply → food security, food safety, and homeland security
 - ◆ Domestic demand → nutrition
 - ◆ Provision of food, feed, and fiber → provision of food, feed, fiber, fuel, and fins, feathers, and fur (wildlife)



Farm Bill Budget

Area	Updated 2014-2023 Baseline	Senate Proposal (\$3240)	House Proposal (HR6083)
Commodities	\$57.9 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	-\$17.8 billion	-\$33.3 billion

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 (HR1947)	
	Farm/County ARC	AMP	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			

Commodity Program Rates Proposed Loan Rates

Commodity	2010-2013	S954	HR1947
Wheat (bu)	\$2.94	\$2.94	\$2.94
Corn (bu)	\$1.95	\$1.95	\$1.95
Sorghum (bu)	\$1.95	\$1.95	\$1.95
Barley (bu)	\$1.95	\$1.95	\$1.95
Oats (bu)	\$1.39	\$1.39	\$1.39
Upland cotton (lb)	\$0.52	\$0.45 - \$0.52	\$0.47 - \$0.52
Rice (cwt)	\$6.50	\$6.50	\$6.50
Soybeans (bu)	\$5.00	\$5.00	\$5.00
Peanuts (ton)	\$355.00	\$355.00	\$355.00

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	-	-

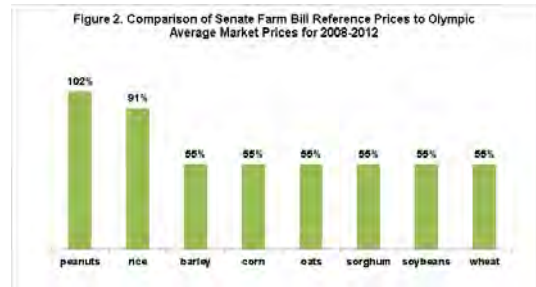
* Estimated target prices for 2014 based on Olympic average of 2009-2013 crop marketing year average prices and current market price projections.

Farm Bill Safety Net Comparison



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

Farm Bill Safety Net Comparison



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

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	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%	

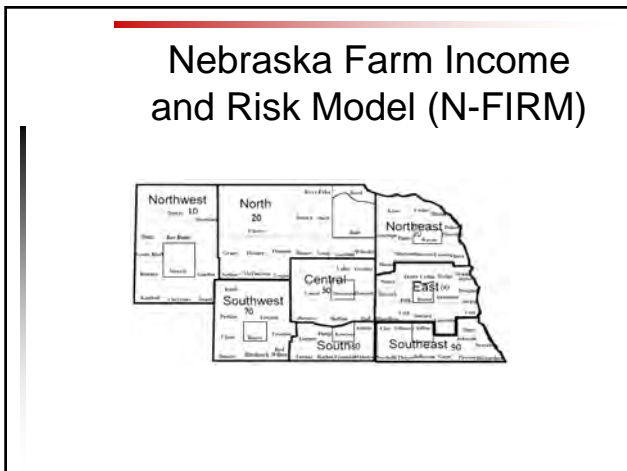
Farm Bill Outlook

- ♦ Major policy questions for the role of the safety net
 - Price vs. revenue protection
 - Shallow-loss vs. deep-loss protection
 - Income support vs. risk management focus

Farm Income Safety Net Policy Alternatives

	Fixed Payments	Price-Based Commodity Program	Revenue-Based Commodity Program	Crop Insurance	Supplemental Crop Insurance	Disaster Assistance
Existing Programs	DP	ML, CCP	ACRE	YP, RP, CAT, GRP, GRIP	None	SURE, NAP
Risk Protection	Cash flow	Price	Revenue	Yield/revenue	Yield/revenue	Yield/revenue
Yield	N/A	None	Multi-year average	Multi-year average	Multi-year average	Multi-year average
Price	N/A	Target prices/loan rates	Multi-year average	Current year	Current year	Current year
Scope	N/A	National	Area	Farm/area	Area	Farm/area
Coverage	N/A	Deep loss	Shallow loss	Deep loss	Shallow loss	Deep loss
Outlook	Eliminated	Updated target prices	Modified scope and protection	Cuts in premium subsidies	New option	Expanded NAP, no SURE

- ### 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



Nebraska Farm Income and Risk Model (N-FIRM)

	District 10	District 20	District 30	District 40	District 50	District 60	District 70	District 80	District 90
<i>Cropland Acres</i>									
	Farm	Farm	Farm	Farm	Farm	Farm	Farm	Farm	Farm
Corn Irrigated	372.9	891.0	230.1	794.7	318.9	702.6	558.6	280.4	
Corn Dryland	0.0	157.2	380.2	126.8	273.4	282.6	171.5	377.7	
Soybeans Irrigated	0.0	329.1	147.7	206.0	173.7	96.9	303.7	173.8	
Soybeans Dryland	0.0	0.0	303.9	0.0	259.8	0.0	0.0	377.5	
Winter Wheat	874.4	0.0	0.0	0.0	0.0	522.3	167.0	0.0	
Total	1247.3	1377.3	1062.0	1127.5	1025.8	1604.3	1200.8	1209.3	
<i>Expected Yields 2011 (bu./acre)</i>									
Corn Irrigated	166.0	188.1	205.7	194.9	190.5	193.4	204.6	195.8	
Corn Dryland	0.0	76.5	155.5	94.0	129.9	71.1	112.5	111.3	
Soybeans Irrigated	0.0	58.0	56.0	60.0	60.0	58.6	63.0	58.7	
Soybeans Dryland	0.0	0.0	47.5	0.0	42.7	0.0	0.0	39.3	
Winter Wheat	42.0	0.0	0.0	0.0	0.0	41.0	48.1	0.0	
<i>Actual Production History 2001-2010 (bu./acre)</i>									
Corn Irrigated	156.9	175.0	185.4	181.8	183.2	183.0	193.0	186.2	
Corn Dryland	0.0	71.5	131.9	81.4	123.4	68.4	89.2	111.5	
Soybeans Irrigated	0.0	51.6	53.3	55.9	56.6	55.6	59.0	56.6	
Soybeans Dryland	0.0	0.0	42.1	0.0	42.1	0.0	0.0	38.7	
Winter Wheat	35.4	0.0	0.0	0.0	0.0	43.0	46.7	0.0	

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

Correlation Between ACRE and RP Payments by Representative Farm
(March 2013 Baseline)

Representative Farm	Risk Management Scenario			
	Only ACRE Pays	ACRE and RP Pay	Only RP Pays	Neither ACRE nor RP Pays
District 10 Farm	13.2%	21.2%	29.6%	36.0%
District 20 Farm	35.2	41.6	9.2	14.0
District 30 Farm	38.0	31.0	9.0	22.0
District 50 Farm	37.8	40.0	7.8	14.4
District 60 Farm	33.0	44.0	8.4	14.6
District 70 Farm	25.6	50.4	11.2	12.8
District 80 Farm	34.0	46.8	6.2	13.0
District 90 Farm	30.4	44.6	7.6	17.4

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

Correlation Between ACRE and RP Payments for Nonirrigated Corn in Eastern Nebraska (District 60)
(March 2013 Baseline)

Crop Revenue Scenario	Safety Net Payments		
	ACRE+RP65%>Loss	ACRE+RP75%>Loss	ACRE+RP85%>Loss
CR ≥ E[CR]	0.00%	0.00%	0.00%
CR < E[CR]	26.29%	25.90%	35.06%
CR < 90%*E[CR]	35.38%	51.28%	66.67%

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.

Policy and Management Outlook

- ◆ Farm bill decisions
 - Complex program participation decision
 - Increased focus on risk management
- ◆ Related policy issues
 - Marketing, trade, regulations, etc.
- ◆ Management
 - More effective integration of safety net tools
 - Farm programs
 - Crop insurance
 - Marketing
 - Better risk management decision-making
 - Production, price, financial, legal, human
 - North Central Risk Management Education Center – ncrme.org

