

# From the Ground Up: Analyzing the 2018 Farm Bill

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# Presentation Outline

- My Perspective
- The Current Environment
- A Little Background on Farm Bills
- Money Available for 2017 or 2018 or 2019 Farm Bill
- Where Are We in the Process?
- Summary and Conclusions



# My Perspective

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- State Ag Policy Specialist for TX Extension
- Co-Director of the Agricultural and Food Policy Center
- AFPC established in 1983 at the request of former Texas Congressman Charlie Stenholm
- **Research, Extension and Teaching Mission**
- To conduct analyses of the impacts of government policy proposals and/or implementation procedures for the agricultural committees of the U.S. Congress

# My Perspective (Cont.)

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- Our group has been running 2018 Farm Bill what-ifs for the Ag Committees since the middle of last year
- So far, I have testified in 2016 and 2017 before the House Ag Committee regarding the state of the current farm economy
- Is my 6th Farm Bill

# The Current Environment

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- Stating the obvious... farm level economics are bad... due to low market prices rather than high input prices
- We all saw lower prices coming but... nobody saw this sustained downturn coming
- Where will the needed price shock come from?
- Some farms are doing much better than others... Why?
  - Relative market prices
  - Cost of production
  - Didn't throw all their cash at stuff (land and equipment)

# AFPC Representative Farms

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- Focus Groups of Top Producers
- Whole farm simulation model (FLIPSIM) combined with FAPRI price projections
- Currently 95 panels in 29 different states
  - 23 Feedgrain
  - 11 Wheat
  - 15 Cotton
  - 15 Rice
  - 20 Dairies
  - 11 Ranches

# Definition of Financial Position

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- **Good** – Less than 25% chance of a negative ending cash balance and less than 25% chance of losing real net worth
- **Marginal** – A 25-50% chance of a negative ending cash balance and a 25–50% chance of losing real net worth
- **Poor** – Greater than 50% chance of a negative ending cash balance and a greater than 50% chance of losing real net worth

# Economic Viability of Representative Feedgrain Farms, January 2017 Baseline

Farm Name	Overall Ranking		P(Negative Ending Cash)	P(Real Net Worth Declines)
	2017	2021	2017-2021	2017-2021
7/4/11				
IAG1350			99-98	99-98
IAG3400			25-41	51-57
NEG2400			62-69	65-65
NEG4300			94-89	97-90
NDG3000			84-72	80-72
NDG8000			58-42	92-61
ING1000			68-62	37-40
ING2200			98-94	95-83
MOCG2300			14-2	2-1
MOCG4200			1-1	1-1
MONG2300			9-24	8-10
LANG2500			99-99	99-99
TNG2500			75-53	57-42
TNG4500			1-2	1-1
NCSP2000			99-98	92-98
SCG3500			28-5	9-1
TXNP3450			1-1	1-1
TXNP10640			1-1	1-1
TXPG2500			48-34	9-5
TXHG2700			99-99	99-99
TXWG1600			99-99	99-99
TXUG1600			4-33	4-18



# A Little Background on Farm Bills

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- Enacting farm bills after the end of the fiscal year that the bill expired is not uncommon
  - Only 2 (1973 and 1977) were enacted prior to the end of the fiscal year
  - 3 more (1981, 1985, and 1990) were enacted by December 31, a few months after the end of the fiscal year but still before spring-planted crops covered by the new law were planted.
  - The most recent four farm bills have been enacted later, in April (1996), May (2002), June (2008), February (2014) after the first crop planted that was to be covered by the farm bill.
- Prior to the 2014 farm bill none had started in one Congress and needed to be reintroduced in a subsequent Congress

# Money Available for 2017 or 2018 or 2019 Farm Bill

Title	2008 Farm Bill Score 2008-2017	2014 Farm Bill Score 2014-2023	June 2017 CBO Score 2018-2027
Commodities	87,179	44,458	58,720
Conservation	50,699	57,600	59,804
Trade	3,715	3,574	3,056
Nutrition	397,131	756,433	679,181
Credit	-2,321	-2,240	-5,398
Rural Development	72	241	65
Research, Extension, and Related Matters	1,290	1,256	879
Forestry	0	13	10
Energy	43	1,122	751
Horticulture	0	1,755	1,812
Crop Insurance	52,743	89,827	77,419
Miscellaneous	13,668	2,363	2,199
Total Outlays	604,218	956,401	878,498

# June 2017 CBO Baseline by Title

Mandatory Spending Only

	<b>Annual Average Expenditure</b>	<b>% of FY 2018 U.S. Outlays</b>
<b>Title I</b>	\$5 B	0.13%
<b>Title II</b>	\$6 B	0.15%
<b>Title XI</b>	\$9 B	0.23%
<b>Total I, II, XI</b>	\$20 B	0.50%

# Where Are We in the Process?

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- House and Senate Have Had Numerous Hearings in D.C. and Regional Listening Sessions
  - The problem I think Congress is going to have... all the groups were invited to say what they want... **SO THEY ASKED FOR EVERYTHING**
- House Ag Chairman Conaway has indicated he wants to move a bill this Fall/Winter
- Senate Ag Chairman Roberts hasn't really focused on when but what
  - He has repeated on many occasions that now is not the time for big changes from the previous bill
- The National Groups Will Have to **Compromise**... Which Tends to be Viewed as a 4 Letter Word in D.C.

# Where Are We in the Process? (Cont.)

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I am of the opinion that the bill will be 2014 Farm Bill part 2

To get a Bill These Things Have to Happen

1. Upland cotton brought back into Title I
2. Increased support for dairy farmers
3. Livestock industry vaccine bank
4. Substantive changes to nutrition programs (didn't say funding cuts)
5. Increase effectiveness of ARC
6. Do no real harm to crop insurance
7. ~~Figure out~~ Work out where to get money for 1, 2 and 3 above

# Where Are We in the Process? (Cont.)

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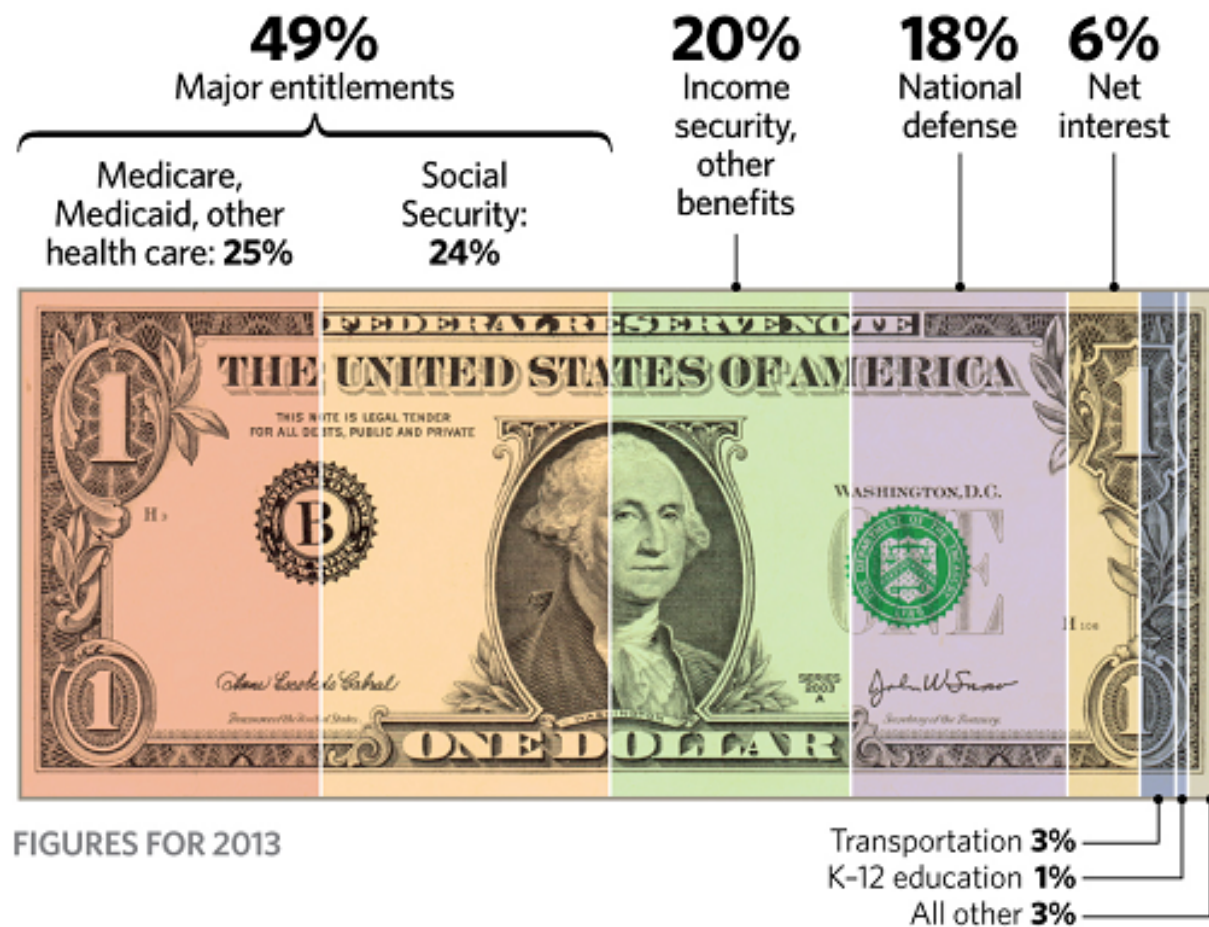
- Timing is everything... I believe it is 50/50 between a 2018 FB or 2019 FB
- Currently, a significant amount of the action in U.S. Congressional elections is in the primaries... so how far can we go into 2018 before the Farm Bill can't be finished?
  - D.C. interest groups are likely to cause real problems with amendments they get sponsored

# Summary and Conclusions

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1. Conditions at the farm level are bad to terrible for significant numbers of farmers across the Nation
2. Farm Bills are always budget driven but this one appears even be worse
3. Anti-Ag subsidy groups will be a force
4. The entire food and fiber system needs to come together to help focus our elected officials on providing a reasonable safety net

## Where Did Every Dollar in Spending Go?



**Notes:** Income security includes federal employee retirement and disability, unemployment compensation, food and housing assistance, and other federal income security programs. Figures have been rounded. National defense includes overseas contingency operations.  
**Source:** U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2015: Historical Tables*, 2014, pp. 156-157, Table 8.4, <http://www.whitehouse.gov/omb/budget/Historicals/> (accessed September 17, 2014).



# Thanks!!!

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