

Farm Bill and Crop Insurance Update

Joe Outlaw

**Regents Fellow, Professor and Extension Economist
Co-Director, Agricultural & Food Policy Center**

32nd Annual Crop Insurance Conference

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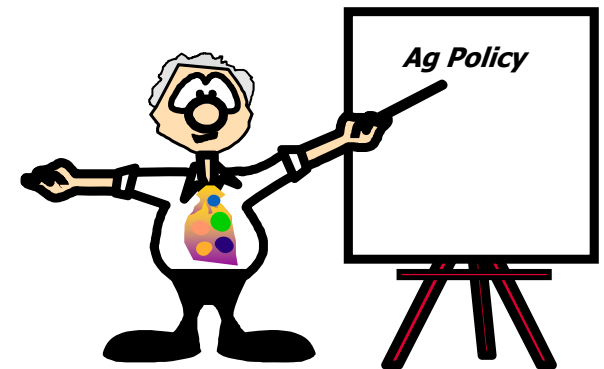
Fargo, ND

January 13, 2025

AFPC

Presentation Outline

- A Little About My Point of View
- Setting the Stage
- What We Have Been Working On...
- Farm Bill Progress
- Summary and Conclusions
- Questions



A Little About My Point of View

- Co-Director of the Agricultural and Food Policy Center – this year marks 41 years of doing work behind the scenes for Congress
 - Started 38 years ago as a student worker...
 - Primary constituency – agricultural committees of the U.S. Congress
- The 2023 Farm Bill is my 8th to participate in
- Each farm bill has a varying length with an expiration date.
 - Recent farm bills
 - 1985, 1990, ~~1995~~1996, 2002, ~~2007~~ 2008, ~~2012~~ ~~2013~~ 2014, 2018, ~~2023~~????

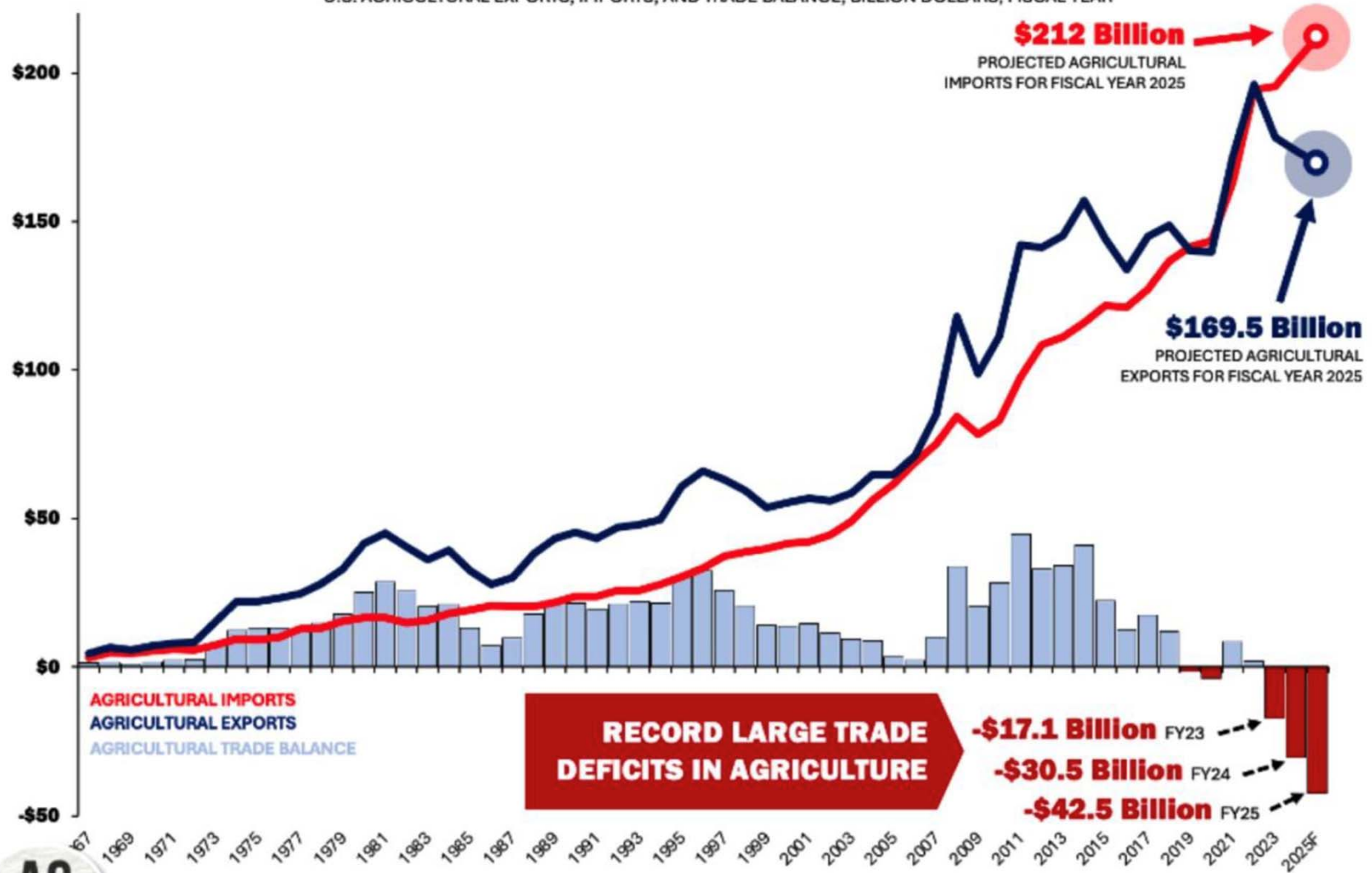
A Look at Previous Farm Bills

Year	Printed Pages in US Code	Final House Vote (Y-N-A)	Final Senate Vote (Y-N-A)
1949	11	Voice	Voice
1954	16		
1956	25		
1965	26	219-150-66	Voice
1970	26	212-171-52	48-35-17
1973	29	252-152-31	85-7-8
1977	131		
1981	145	205-203-27	68-31-1
1985	306	325-96-14	55-38-7
1990	719	318-102-15	60-36-4
1996	311 Bill	379-42-14	97-1-2
2002	408 Bill	280-141-14	64-35-1
2008	663 Bill	317-109-9 (veto override)	80-14-6 (veto override)
2014	357 Bill	252-166-17	68-32-0
2018	529 Bill	369-47-19	87-13-0

Setting the Stage

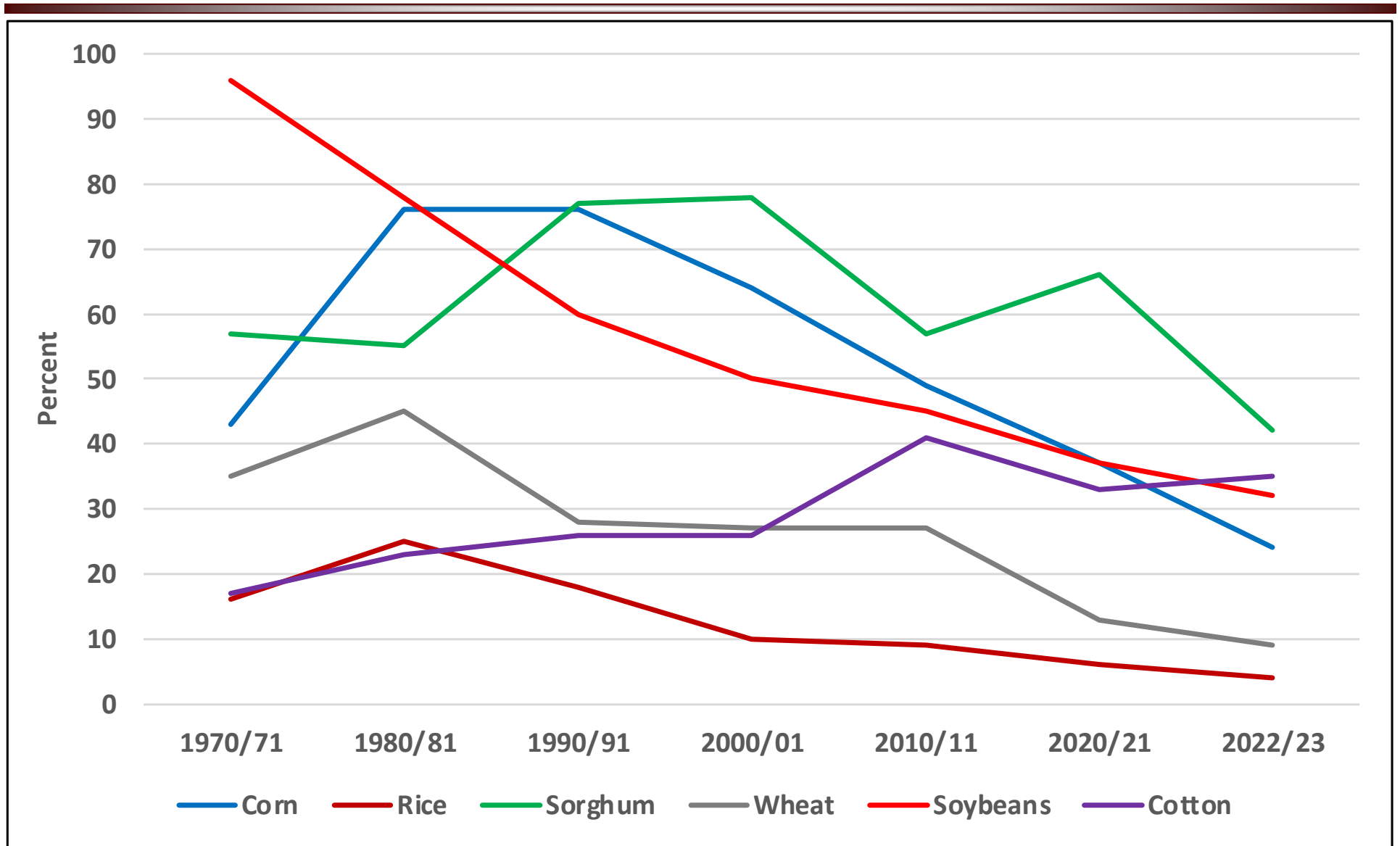
U.S. AGRICULTURAL TRADE

U.S. AGRICULTURAL EXPORTS, IMPORTS, AND TRADE BALANCE, BILLION DOLLARS, FISCAL YEAR

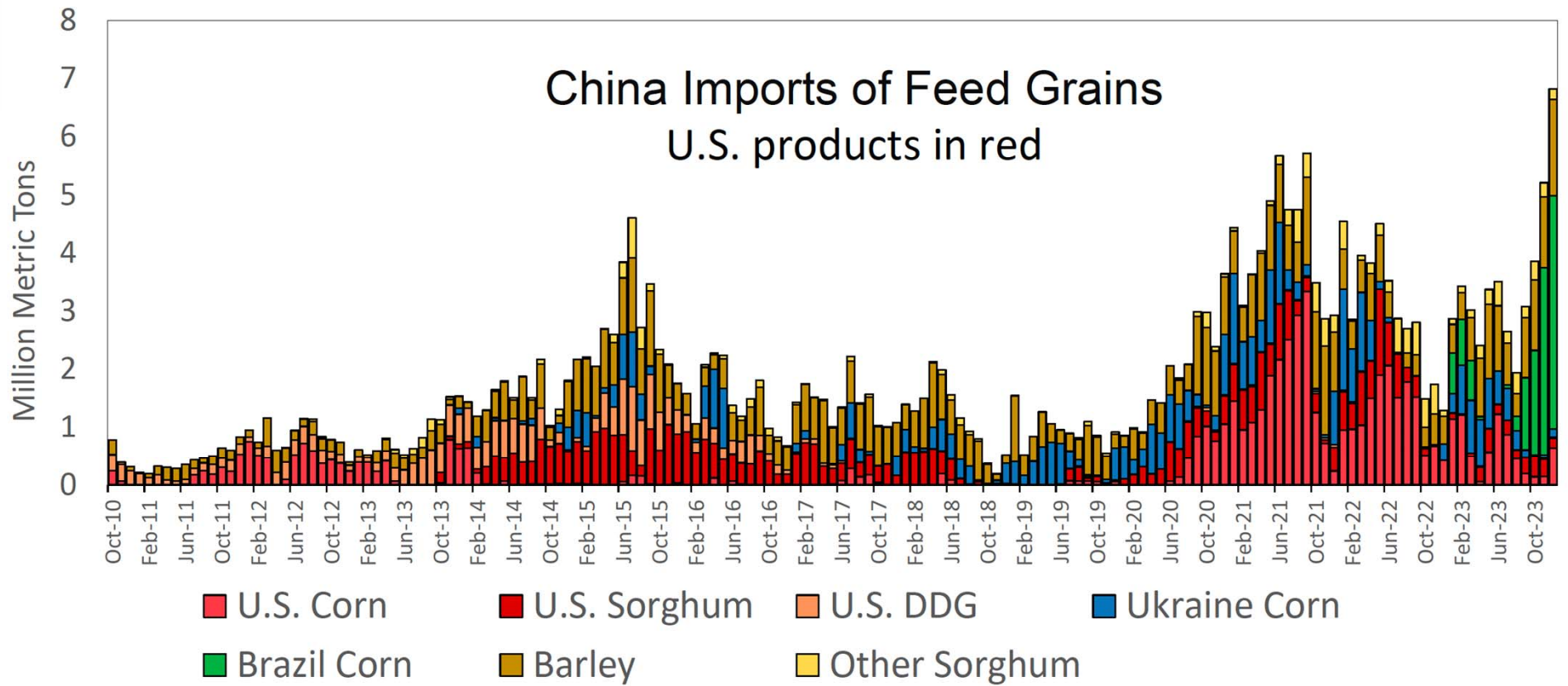


SOURCE: SENATE AG GOP ANALYSIS, USDA FAS GATS, USDA ERS

U.S. Share of World Trade by Major Commodity, 1979/71 to 2022/23



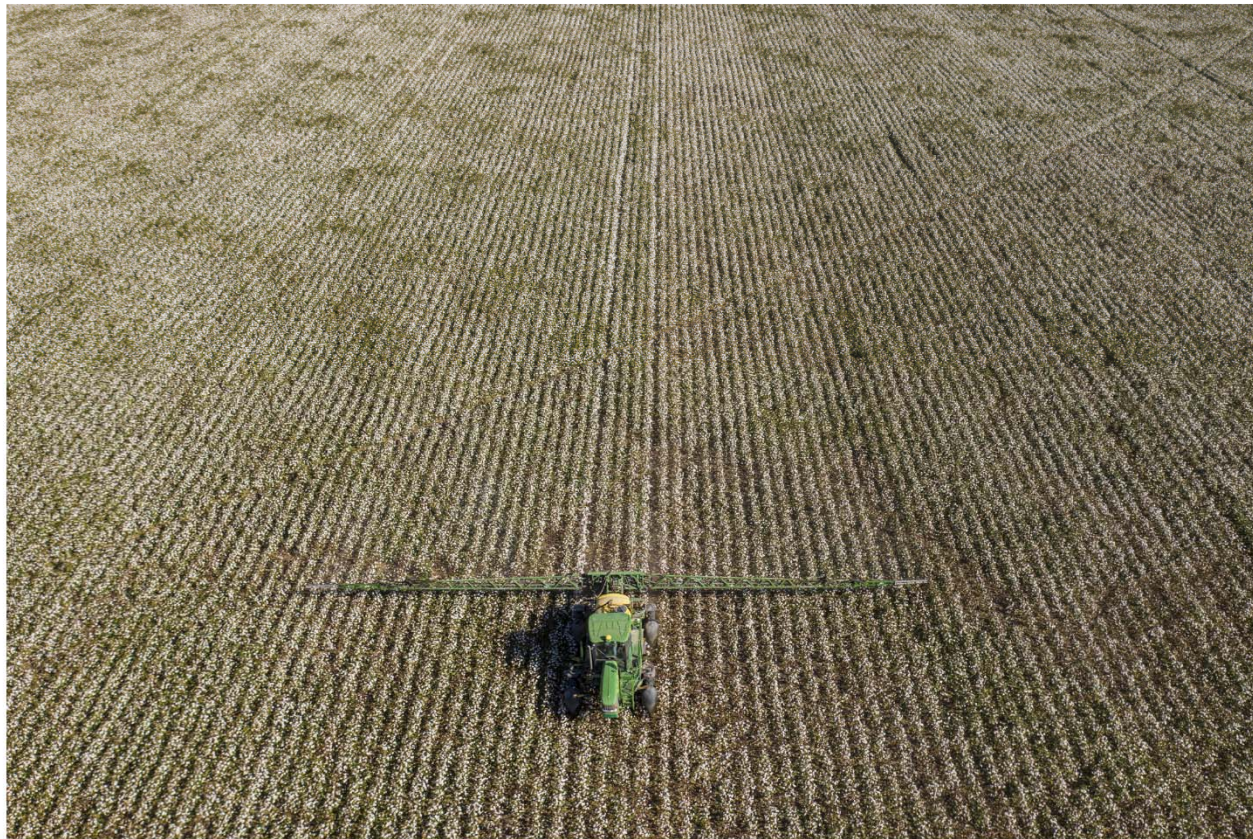
Source: Data was obtained from USDA-FAS, Production, Supply and Distribution PS&D online database (accessed at <https://apps.fas.usda.gov/psdonline/app/index.html> - /app/advQuery).



Agricultural and Food Policy Center
Texas A&M University

May 2022

Economic Impact of Higher Crop and Input Prices on AFPC's Representative Crop Farms

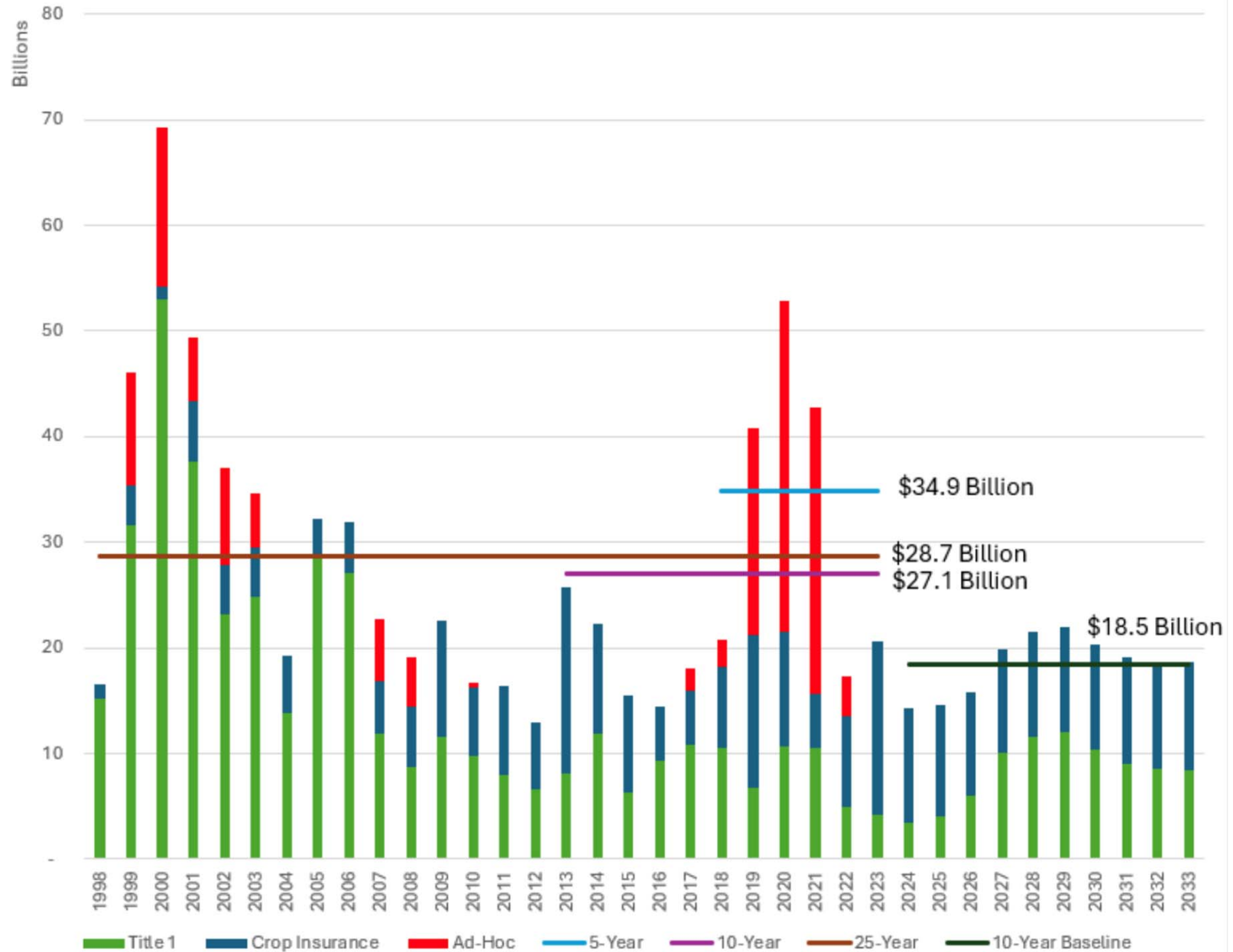


U.S. Major Commodity Price and FAPRI (Nov) Forecast for 2024/25 and 2025/26

Crop	2010/11 - 2013/14 avg	2014/15 - 2019/20 avg	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Corn (\$/bu)	5.69	3.53	4.53	6.00	6.54	4.55	4.13	4.02
Soybeans (\$/bu)	12.80	9.15	10.80	13.30	14.20	12.40	10.04	9.60
Sorghum (\$/bu)	5.4	3.32	5.04	5.94	6.38	4.93	4.06	3.72
Wheat (\$/bu)	6.90	4.87	5.05	7.63	8.83	6.96	5.65	5.59
Upland Cotton (cents/lb)	80.1	64.8	66.3	91.4	84.5	76.0	66.5	68.2
All Rice (\$/cwt)	14.65	12.52	14.40	16.10	19.80	17.20	15.88	15.38

Safety Net Spending

Adjusted for Inflation



What We Have Been Working On... Over and Over Again

- What is the most cost effective to deliver more price and income protection?
 - Higher reference prices
 - Continue ERPs?
 - Cap benefits (i.e., change TP-higher of MP or LR to TP – something higher)
- Should every commodity get the same amount of increase? Why and why not?
- Thank goodness we have not been asked to help find money... but they have used our analyses to argue about potential scores with CBO

2018 Farm Bill Effective Reference Prices

- Statutory Reference Prices Set By Congress
- Effective Reference Price Can Move Up If Prices Move Up
 - It's Congress so... its complicated
- 85% of the Olympic average price for the 5 most recent completed crop years but capped at 115% of the statutory reference price
- Given the 85% factor in the escalator calculation, average market price during the calculation window must exceed the statutory reference price by more than 15% for the escalator to increase the reference price.
- Based on current and project prices... will see big moves for a few commodities

Effective Reference Prices

Using CBO's June 2024 Outlook

Jun-24	Statutory Ref	2024	2025	2026	2027	2028	115% of Statutory
Corn	3.70	4.01	4.36	4.36	4.32	3.81	4.26
Soybean	8.40	9.26	10.38	10.51	10.51	9.83	9.66
Wheat	5.50	5.05	5.60	5.94	5.94	5.47	6.33
Seed Cotton	0.37	0.32	0.33	0.35	0.35	0.33	0.42
Peanuts	0.27	0.19	0.20	0.21	0.21	0.21	0.31
Grain Sorghum	3.95	4.06	4.49	4.49	4.25	3.73	4.54
All Barley	4.95	4.18	4.93	5.34	5.43	5.43	5.69
Oats	2.40	2.87	3.16	3.32	3.32	2.93	2.76
Sunflower Seed	0.20	0.19	0.20	0.22	0.23	0.21	0.23
Canola	0.20	0.18	0.21	0.22	0.22	0.20	0.23
Flaxseed	11.28	10.91	11.79	12.54	12.61	11.33	12.97
Safflower	0.20	0.19	0.20	0.20	0.20	0.18	0.23
Mustard Seed	0.20	0.24	0.25	0.26	0.26	0.24	0.23
Rapeseed	0.20	0.17	0.18	0.17	0.17	0.18	0.23
Dry Peas	14.00	10.30	11.66	12.48	12.48	11.56	16.10
Lentils	19.97	19.44	25.05	26.35	26.35	22.78	22.97
Large Chickpea	21.54	21.90	26.15	28.93	28.93	27.09	24.77
Small Chickpea	19.04	21.08	24.42	25.78	25.78	23.43	21.90

Farm Bill Progress

The Four Corners (Last Congress)

Chairwoman Stabenow (MI)

- May 1st outline of bill
- Nov 19th released bill

Chairman Thompson

- May 1st

Ranking Member Boozman

- June 11th

Ranking Member Scott

The Four Corners (The New Congress)

Chairman Boozman (AR)

Chairman Thompson (PA)

Ranking Member Klobuchar (MN)


Ranking Member Craig (MN)

Key Features	House Ag Committee Passed Bill	Senate Majority Proposal
ARC Guarantee	Increase from 86% to 90%	Increase from 86% to 88%
Maximum ARC Payment	Increase from 10% to 12.5%	No change from current law of 10%
Base Acres	Adds up to 30 million acres for farms where planted acres exceed base acres on the farm	Limited opportunity to update base for underserved producers only
Payment Limits	Increase from \$125,000 to \$155,000 for producers with >75% of income from farming/ranching/silviculture	No change from current law
Means Testing	No change from current law of \$900,000, except that means testing would not apply to disaster programs in Title I and NAP for producers with >75% of income from farming/ranching/silviculture	Reduces AGI threshold from \$900,000 to \$700,000 for row-crop producers and makes tenants ineligible if landowners do not meet AGI threshold. Increases allowable AGI from \$900,000 to \$1,500,000 for specialty crop and “high-value” crop producers

Key Features	House Ag Committee Passed Bill	Senate Majority Proposal
Supplemental Coverage Option (SCO) Trigger	Increase from 86% to 90%	Increase from 86% to 88%
SCO Premium Support	Increase from 65% to 80%	Increase from 65% to 80%

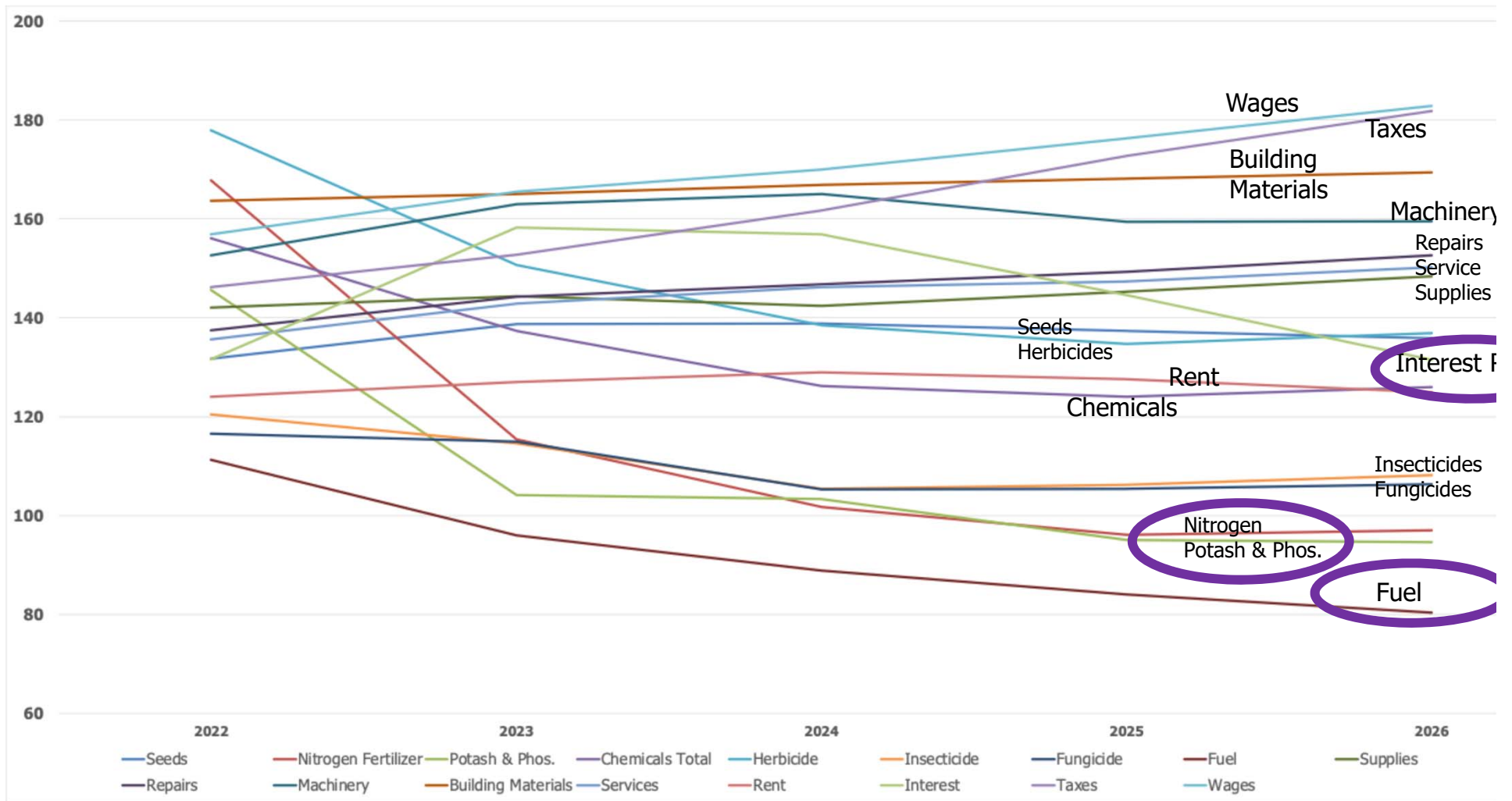
2024 North Dakota ECO and SCO Usage

	Corn	Soybeans	Wheat
Units Earning Prem			
ECO-RP	3,449	6,975	8,068
ECO-YP	65	218	7
SCO-RP	1,885	4,876	5,818
SCO-YP	58	193	8

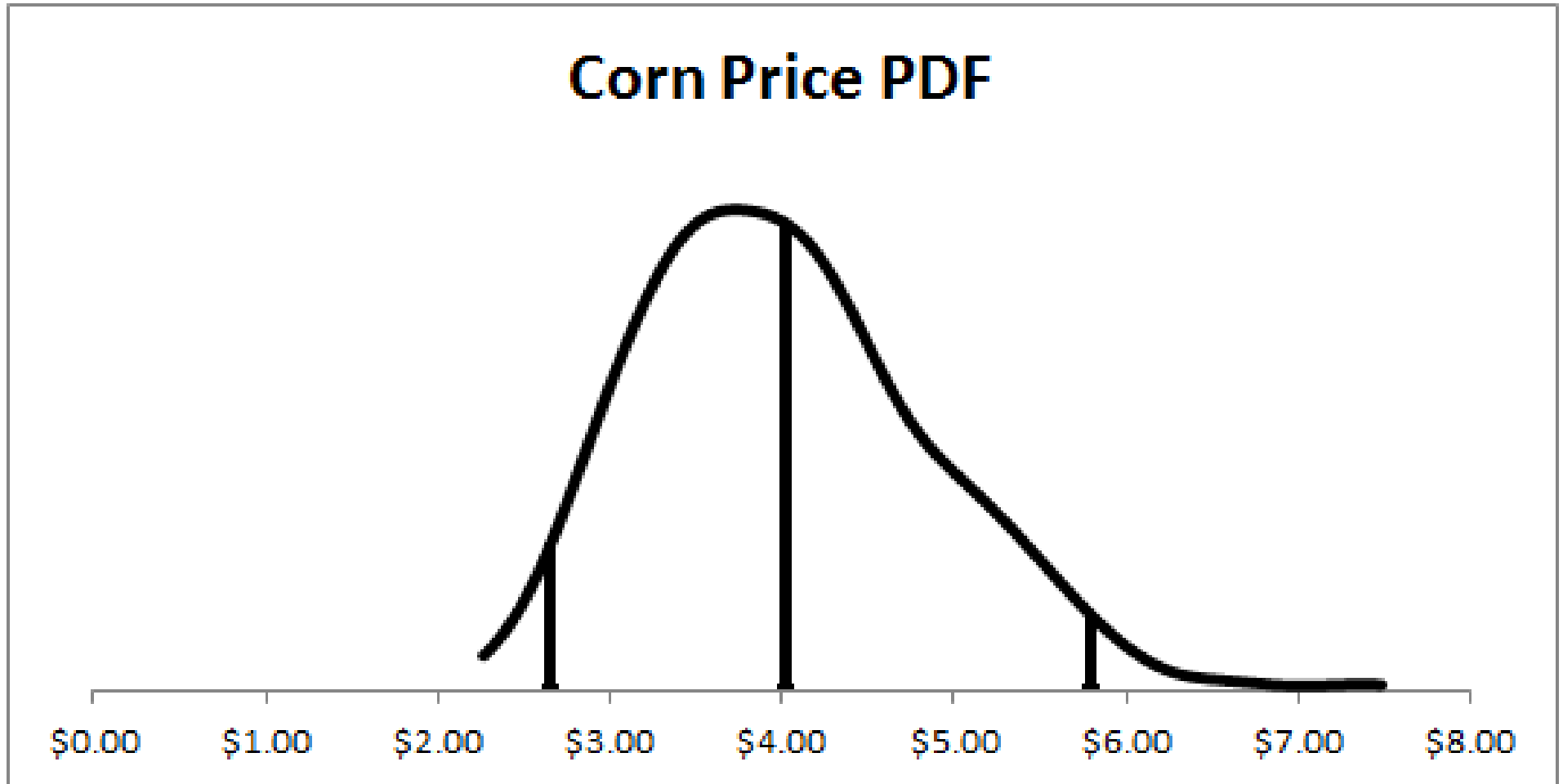


Commodity	2018 Farm Bill Statutory Rates	House Ag Committee Passed Bill	Senate Majority Proposal	Senate Minority Proposal
Corn (bu)	\$3.70	\$4.10	\$3.70	\$4.26
Grain Sorghum (bu)	\$3.95	\$4.40	\$3.95	\$4.54
Barley (bu)	\$4.95	\$5.45	\$4.95	\$5.69
Oats (bu)	\$2.40	\$2.65	\$2.40	\$2.76
Soybeans (bu)	\$8.40	\$10.00	\$8.40	\$9.66
Wheat (bu)	\$5.50	\$6.35	\$5.50	\$6.33
Seed Cotton (lb)	\$0.367	\$0.42	\$0.385	\$0.422
Long Grain Rice (cwt)	\$14.00	\$16.90	\$14.70	\$16.10
Peanuts (ton)	\$535	\$630	\$562	\$615.25
Other Oilseeds (cwt)	\$20.15	\$23.75	\$20.15	\$23.17
Dry Peas (cwt)	\$11.00	\$13.10	\$11.00	\$12.65
Lentils (cwt)	\$19.97	\$23.75	\$19.97	\$22.97
Small Chickpeas (cwt)	\$19.04	\$22.65	\$19.04	21.90
Large Chickpeas (cwt)	\$21.54	\$25.65	\$21.54	24.77

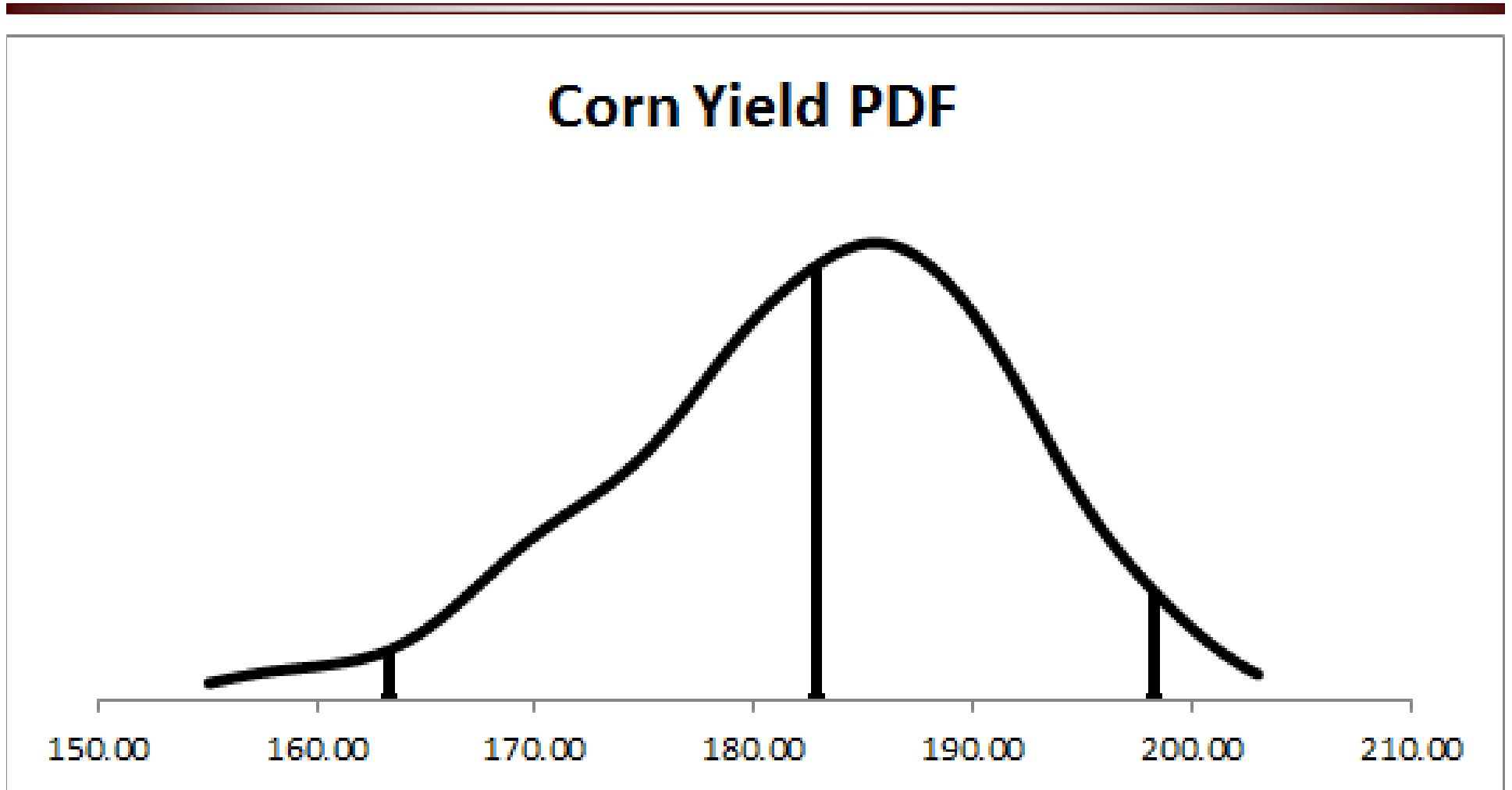
FAPRI Projected Input Cost Indices



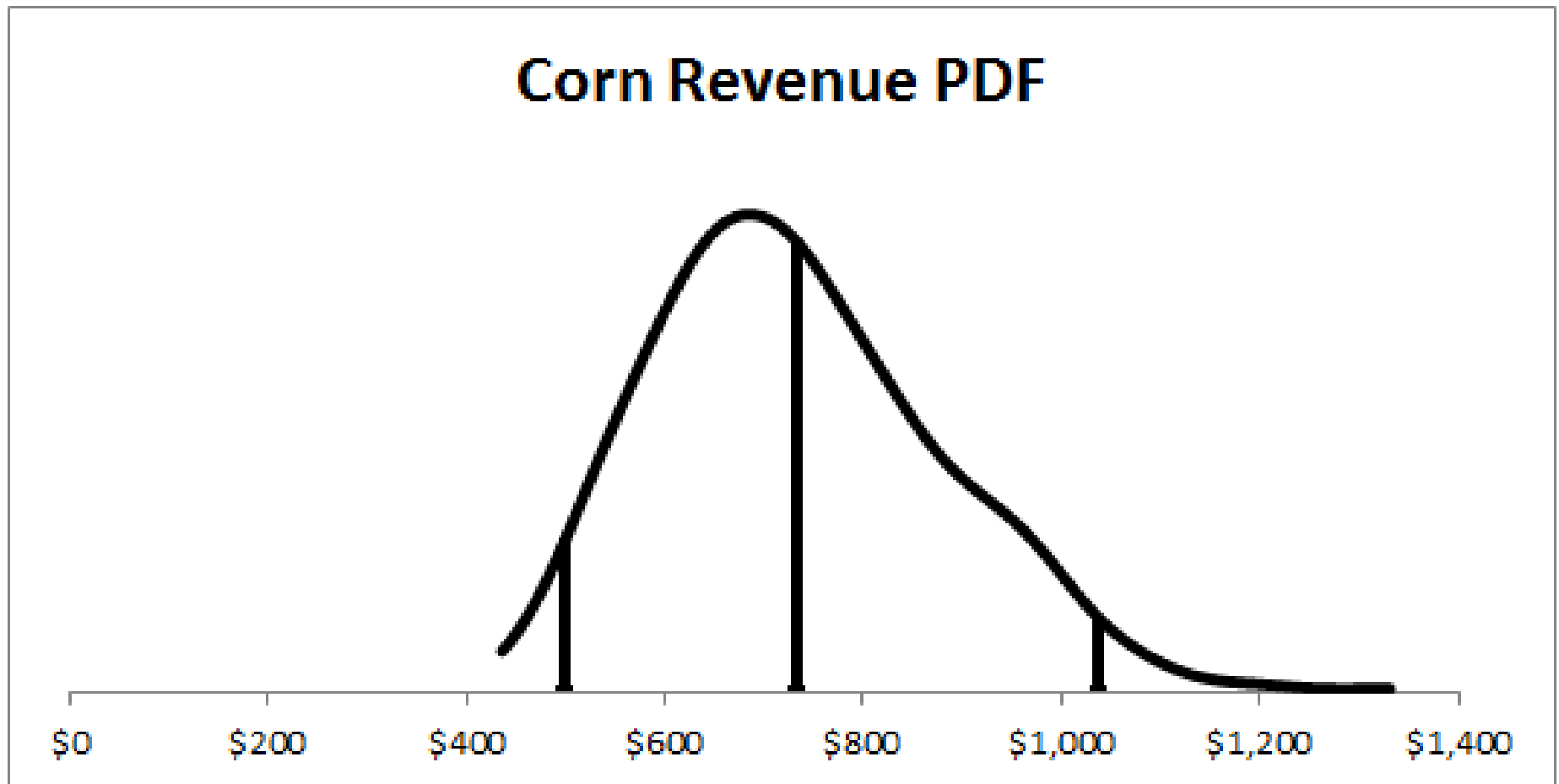
Corn 2025 Stochastic Price Projections



Corn 2025 Stochastic Yield Projections



Corn 2025 Stochastic Revenue (P*Q) Projections



Representative Farm: Feed Grains

Economic Viability of Representative Farms over the 2020-2025 Period

Farm Name	Overall Ranking		P(Negative Ending Cash)	P(Real Net Worth Declines)
	2020	2025	2020-2025	2020-2025
13/10/2				
IAG1350			98-97	71-74
IAG3400			18-34	1-1
NEG2400			4-20	1-1
NEG4500			89-95	1-7
NDG3000			5-30	1-2
NDG9000			1-1	1-1
ING1000			2-4	1-1
ING3250			4-7	1-1
OHG700			6-41	1-1
OHG1500			1-1	1-1
MOCG2300			8-9	1-1
MOCG4200			1-1	1-1
MONG2300			34-48	1-1
LANG2500			23-47	5-10
TNG2500			13-34	1-1
TNG5000			1-3	1-1
NCSP2000			99-95	36-42
NCC2030			1-1	1-1
SCC2000			30-45	3-8
SCG3500			7-8	1-1
TXNP3450			1-1	1-1
TXNP10880			1-1	1-1
TXPG2500			11-19	1-1
TXHG3000			73-77	9-20
TXWG1600			43-90	7-21

4. Viability is classified as Green, Yellow, and Red based on the probability.

Representative Farm: Cotton

Economic Viability of Representative Farms over the 2020-2025 Period

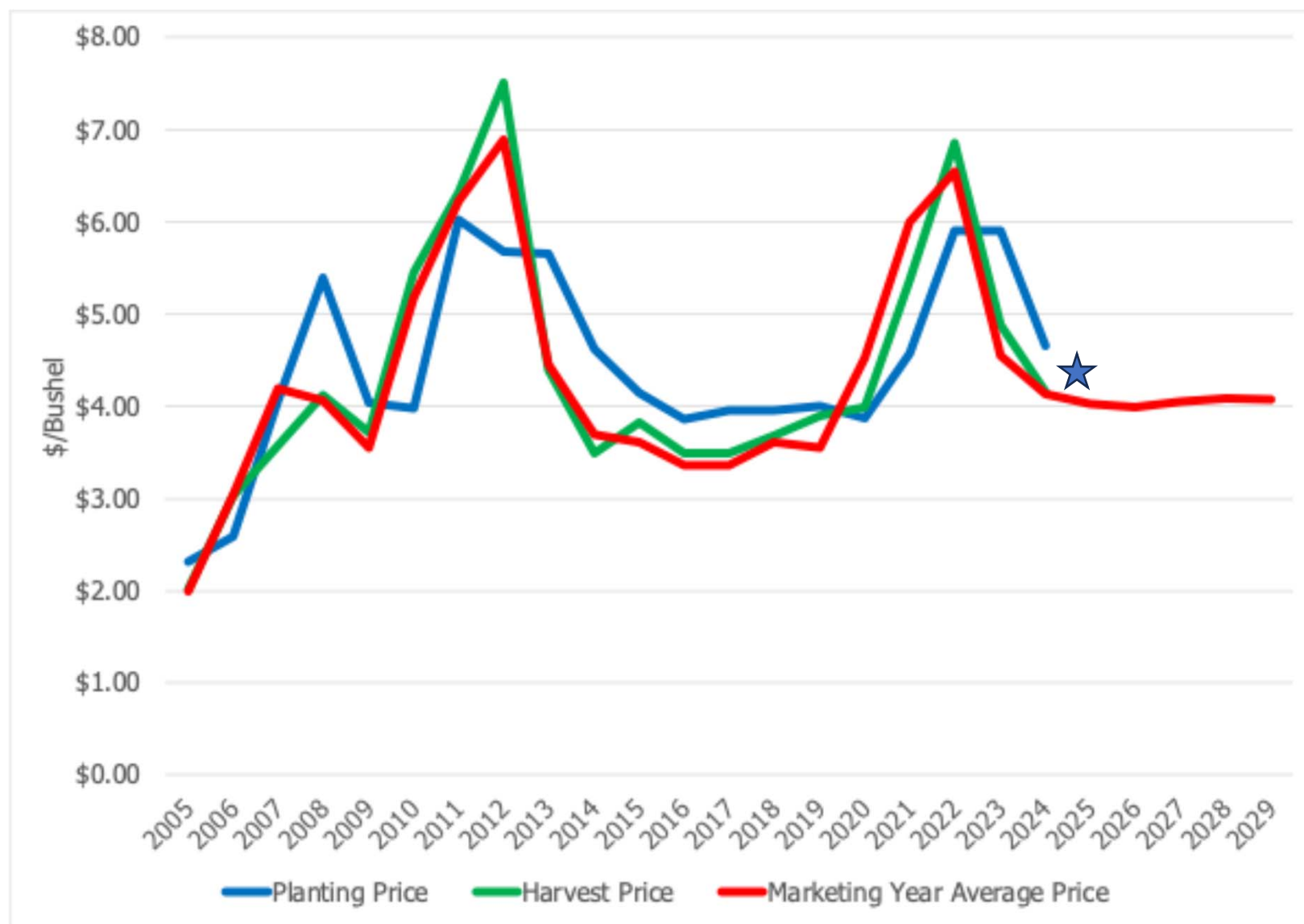
Farm Name	Overall Ranking		P(Negative Ending Cash)	P(Real Net Worth Dec)
	2020	2025	2020-2025	2020-2025
8/4/1				
TXSP4500			15-42	7-14
TXEC5000			1-9	1-3
TXRP3000			90-96	68-73
TXMC2500			19-52	15-23
TXCB4000			1-32	1-13
TXCB10000			1-2	1-1
TXVC5500			1-1	1-1
ARNC5000			1-1	1-1
TNC3000			1-1	1-1
TNC4050			2-2	1-1
ALC3500			1-1	1-1
GAC2500			1-1	1-1
NCNP1600			92-98	1-20

Representative Farm: Rice

Economic Viability of Representative Farms over the 2020-2025 Period

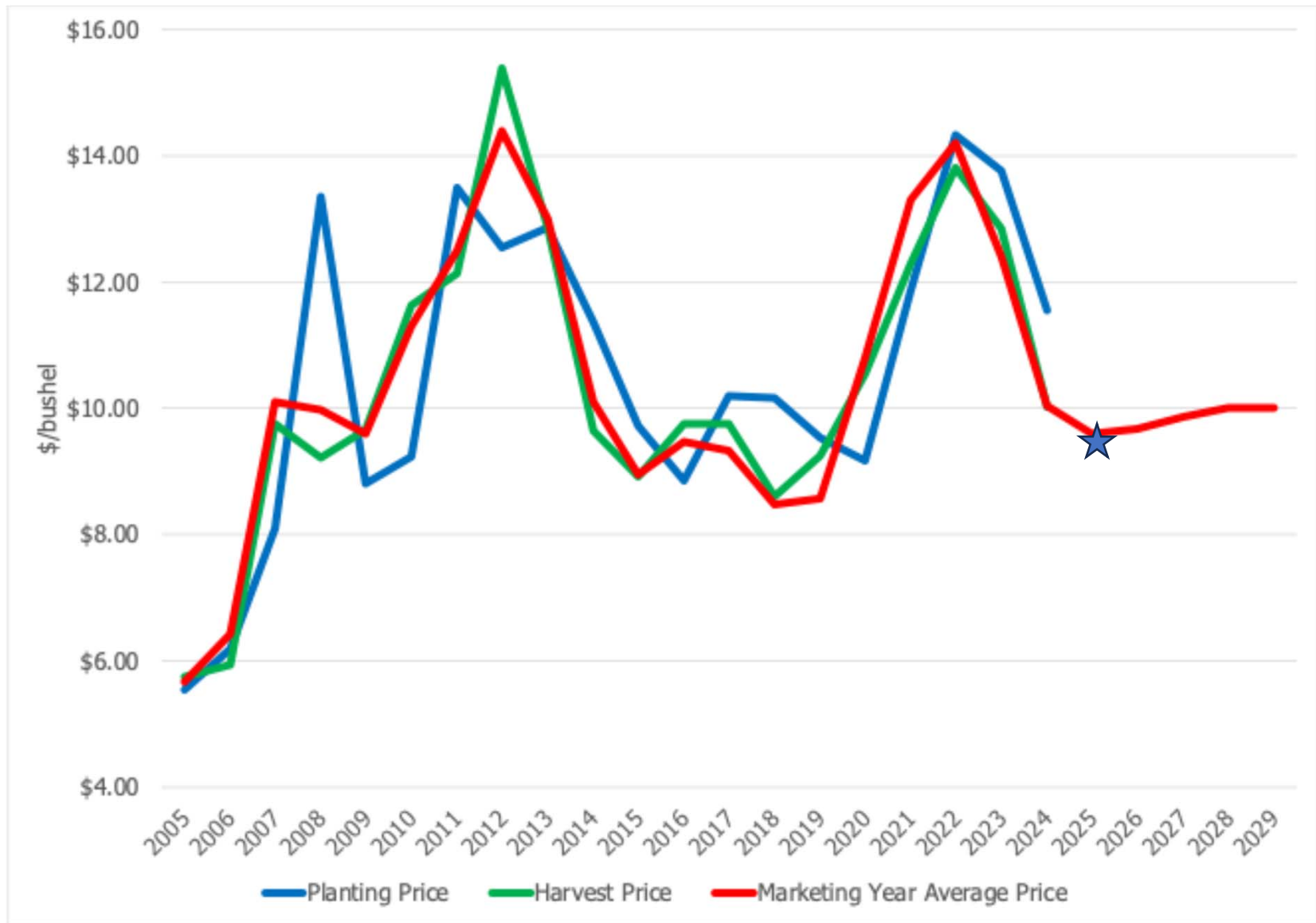
Farm Name	Overall Ranking		P(Negative Ending Cash)	P(Real Net Worth De
	2020	2025	2020-2025	2020-2025
3/6/6				
CAR1200			1-5	1-1
CAR3000			31-86	7-25
CABR1000			9-47	1-1
CACR800			91-99	16-91
TXR1500			81-99	41-77
TXR3000			31-63	15-32
TXBR1800			16-49	18-30
TXER2500			19-35	37-33
LASR2000			20-69	20-36
ARMR6500			10-20	3-3
ARSR3240			10-26	5-7
ARWR2500			56-81	2-1
ARHR4000			30-89	17-44
MSDR5000			7-13	1-1
MOBR4000			31-79	1-5

Corn Insurance Prices and Marketing Year Average Prices.



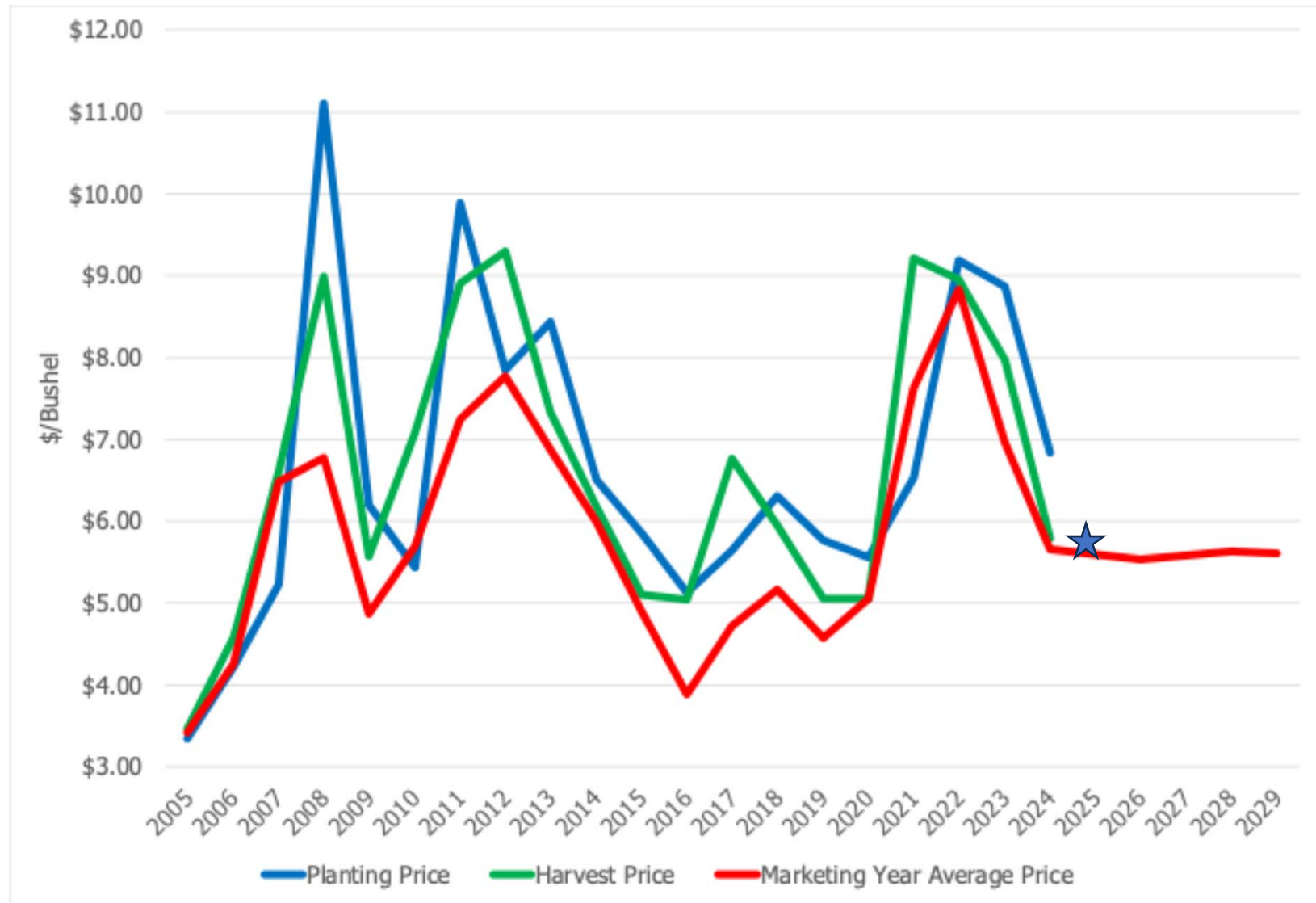
Projections are from FAPRI November Baseline.

Soybean Insurance Prices and Marketing Year Average Prices.



Projections are from FAPRI November Baseline.

Wheat Insurance Prices and Marketing Year Average Prices.



Projections are from FAPRI November Baseline.

Couple Things to Think About Using Barnes County, North Dakota

Corn

Looking at ARC Benchmark revenue of (\$822) and trigger (\$708)... Prob is 48% of triggering ARC in 2025

PLC Prob Price is less than ~~3.70~~ 4.26 is ~~39%~~ 65%

Barley

PLC Prob Price is less than \$4.95 is 37%

Soybeans

PLC Prob Price is less than ~~\$8.40~~ \$9.66 is ~~26%~~ 54%

Wheat

PLC Prob Price is less than ~~\$5.50~~ \$5.60 is ~~48%~~ 52%

Based on FAPRI Stochastic prices and Yields



If It's Not Time to Hit the Panic Button... We Are Getting Close

Thursday, August 15, 2024

Over the past three years, we have written a lot of articles for Southern Ag Today about the need for a new farm bill that increases the support provided by the farm safety net. While it was important three years ago, it is much more important now. The steady decline in market prices has continued, with current price projections from USDA below the average cost of production for some crops (Table 1). Why? While costs for some inputs have decreased from their 2022 highs... commodity prices have fallen more. While Marketing Year Average (MYA) prices in Table 1 don't look very good, current futures prices at harvest look even worse.



It's Time for the Panic Button

Thursday, December 5, 2024

Recent articles in Southern Ag Today have detailed the financial stress that Southern crop producers are having to endure, although the problems are not unique to the South. In economics, we talk about the “cost price squeeze” that is created by declining commodity prices and high input costs. Our work at the Agricultural and Food Policy Center (AFPC) at Texas A&M University – with roughly 575 individual producers from across the country that work with us on 90-plus crop, livestock, and dairy representative farms – has given us a good feel for the relative costs of production and profitability across the country. Those 575 producers are some of the very best from all regions and commodity types. They also know that working with us provides them a voice in the policy world they would not otherwise have. Because of this, I often get calls and emails letting me know when pressure is mounting. In the last three months, there has been a steady stream of calls and emails saying that this is the worst year they have ever had and getting financing for next year has been incredibly difficult.

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Good News for U.S. Producers... Now What?

Thursday, January 2, 2025

The final days of 2024 brought great news and some certainty for our cash-strapped farmers from our nation's capital. Disaster and economic losses were included in the continuing resolution that was passed by Congress and signed into law on December 21st by President Biden. H.R. 10545 (the American Relief Act) extended federal spending and averted a government shutdown through March 14, 2025. It also provided farmers additional certainty by extending the provisions of the 2018 Farm Bill through September 30, 2025. The bipartisan CR passed the U.S. House and Senate by votes of 366-34 and 85-11 respectively. With all of this said, we had hoped and expected Congress would act to provide assistance to agricultural producers, and they delivered. Well done and thank you!

The "now what?" is...how will the assistance be implemented? Since the bill passed, lenders from across the U.S. have been emailing and calling

House Ag Estimated Economic Assistance Payments by Commodity

Eligible Commodity	Estimated Payment (\$/Acre)
Corn	43.80
Soybeans	30.61
Wheat	31.80
Cotton	84.70
Rice (L/M)*	71.37
Sorghum	41.85
Oats	78.42
Barley*	21.76
Peanuts*	76.30
Dry peas*	16.16
Lentils*	19.32
Chickpeas, large*	24.16
Chickpeas, small*	25.04
Sunflower*	23.38
Rapeseed*	23.23
Canola*	26.76
Safflower*	15.71
Flaxseed*	17.48
Mustard*	11.42
Crambe*	19.37
Sesame*	5.28

In addition to economic assistance, \$20.78 billion will be available for disaster assistance to help cover losses in 2023 and 2024. (details have not been developed)

*Commodities estimated to receive minimum payment, either through formula with complete data or based on assumption due to lack of publicly available data, final payment rates may vary.

Path to a New Farm Bill

- No secret President Trump is going to slap tariffs on products... likely triggering trade war
- Going to hit debt ceiling
- The government is only funded until March 14th
- Speaker of the House is talking reconciliation bill early this year (farm bill could be a part)
- Leader in Senate wants a farm bill soon

- At the end of the day I think it happens this year (Haven't said that for the last two years)

Summary

- No New Money for the Bill Has Been the Problem the Whole Time
- Republicans want to use "savings from democratic priorities" and increase safety net... democrats don't... not at the expense of their programs
- Farm Bill... a lot of different paths but my guess is mid year

Questions?

Joe Outlaw
joutlaw@tamu.edu

979-845-5913
www.afpc.tamu.edu