Where are We Going and Who is Going with Us: U.S. Agriculture in a New Policy Environment

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What do We Know?

• The Past is Prelude to the Future
• Hindsight is 20/20
• No one knows what the price of corn will be in November 2014 or April 2015
• GMO wheat exists but who knows when it will be planted on a commercial basis
• John Maynard Keynes wrote about the “animal spirits of capitalists.”
• When it comes to agriculture, the “animal spirits” of politicians are also important
The Past

• Total Crop Acreage
• Corn, Soybeans and Wheat Prices, Yields and Acreage
• Cotton, Rice and Peanuts Prices, Yields and Acreage
Changes in Total Acres Planted to All Crops: 1990-2000
Changes in Total Acres Planted to All Crops: 2000-2012

Change in Total Acres Planted by State 2000–2012
- Dark Red: < -20%
- Light Red: -20% - -10%
- Red: -10% - 0%
- Orange: 0% - 9%
- Blue: 10% - 20%
- Light Blue: 0
Corn, Soybeans and Wheat
Corn, Soybean, Wheat Prices 1996-2012

$ / BU

Year


$ / BU

CORN $ / BU	SOYBEANS $ / BU	WHEAT $ / BU
Corn, Soybeans, Wheat Yields (BU per Acre) 1990 - 2013
Summary

• **Corn:**
  - Yields increased at an average of 2 bushels a year: up 33%.
  - Prices now more than double their levels in the early 2000s.

• **Soybeans:**
  - Yields increased from 34 bushels in 1996 to 44 bushels in 2012: up 29%
  - Prices doubled from $7/bu to $14/bu or more between 196 and 2013.

• **Wheat:**
  - Yields increased from 40 bushels to 47 bushels: up 18% (no GMO wheat planted for sale in the market place).
  - Prices now more than double their levels in the early 2000s.
Changes in Acres Planted to Corn: 1990-2000
Changes in Acres Planted to Corn: 2000 - 2012
Changes in Acres Planted to Soybeans: 1990-2000

Change in Soybean Acreage 1990–2000
- < -100%
- -100% - -50%
- -50% - 0%
- 0% - 50%
- 50% - 100%
- > 100%
Changes in Acres Planted to Soybeans: 2000 - 2012
Cotton, Peanuts and Rice
Cotton, Peanut and Rice Prices: 1996-2013
Cotton, Rice, Peanuts Yields (lbs per Acre) 1990 - 2013

COTTON - YIELD, LB / ACRE  
PEANUTS - YIELD, LB / ACRE  
RICE - YIELD, LB / ACRE
Summary

• **Cotton:**
  • Yields have increased by about 25%.
  • Prices have been volatile and have no obvious long run trend

• **Rice:**
  • Yields increased by 38%
  • Prices doubled from $7/bu to $14/bu or more between 1996 and 2013.

• **Peanuts:**
  • Yields have more than doubled.
  • Prices in nominal terms similar to the mid 1990s: in 2012 and 2013 much higher than between 2000 and 2011.
Changes in Total Acres Planted to Cotton: 1990-2000

Change in Cotton Acreage 1990 - 2000
- < -100%
- -50% - 0%
- 0% - 50%
- 50% - 100%
- > 100%
Changes in Total Acres Planted to Cotton: 2000-2012
Changes in Total Acres Planted to Rice: 1990-2000
Changes in Total Acres Planted to Peanuts: 1990-2000

Map showing changes in peanut acreage from 1990 to 2000 across the United States.
Changes in Total Acres Planted to Peanuts: 2000-2012

Change in Peanut Acreage 2000 – 2012

- Red: > 100%
- Blue: < -100%
- Dark Red: -100% - -50%
- Pink: -50% - 0%
- Light Blue: 0% - 50%

States such as Texas, Oklahoma, and parts of the southeastern United States show a significant increase in peanut acreage, while other regions show a decrease.
The Present and the Future: What is Happening to Farm Policy?
The Current Farm Bill Situation

• Vice President Biden and Senator Mitch McConnell, with input from the House Leadership, included an extension of the 2008 Farm Bill in the fiscal cliff legislation signed into law by President Obama on January 3, 2013

• The House and Senate both passed farm bills (in May and July), but the House Bill did not include the SNAP (food stamps) nutrition program.

• The House had a separate nutrition bill, passed on September 19, but it contained what Democrats and President Obama view as unacceptably large cuts to SNAP funding

• The Joint House and Senate Conference Committee has just finished work on a compromise 2014 Farm Bill text, passed by the House yesterday.
Where Have We Been and How has Farm Policy evolved since 1996
U.S. Farm Subsidies by Type of Program: 1996-2010

- Traditional (coupled) programs
- Direct Payments (decoupled)
- Conservation programs
- Insurance subsidies
Where Are We Now?
Annual Average Farm Bill Spending under Current Law, the Senate Bill and the House Bill from 2012 to 2023: Nutrition and Farm Programs

<table>
<thead>
<tr>
<th></th>
<th>Nutrition</th>
<th>Farm Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Law</td>
<td>$76.40</td>
<td>$26.79</td>
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<tr>
<td>Senate</td>
<td>$76.05</td>
<td>$23.58</td>
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<tr>
<td>House</td>
<td>$74.93</td>
<td>$22.68</td>
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</tbody>
</table>
Estimated Annual Average Spending on Farm Programs under Current Law, Senate Bill, and House Bill: 2013-2023

- Traditional
- Conservation
- Insurance
- Other

Current Law
- Traditional: $5.9
- Conservation: $6.2
- Insurance: $8.4
- Other: $6.29

Senate
- Traditional: $4.13
- Conservation: $5.81
- Insurance: $8.91
- Other: $4.73

House
- Traditional: $4.01
- Conservation: $5.67
- Insurance: $9.30
- Other: $3.70
Changes in Farm Subsidy Program: What is not in the House and Senate Bills

- Direct Payments *(gone)*
- ACRE *(gone)*
- Countercyclical Payments *(gone, but not really; the new PLC program is very similar)*
- SURE Program *(gone)*
- Diary Price Support Program and Milk Income Loss Contract *(gone)*
Changes in Farm Subsidy Program: What is in the 2014 Farm Bill

• Price Loss Coverage Program (to be paid on historically determined payment acres with higher support prices than under the traditional loan rate program)
• Agricultural Risk Coverage Program (the Senate version will likely prevail)
• New Insurance Program to be managed by the Risk Management Agency (SCO)
• Refunding of the Livestock Indemnity and Livestock Forage disaster aid programs (probably retroactive to 2012 or 2013), as well as the ELAP disaster aid program (trivial in terms of total funding).
<table>
<thead>
<tr>
<th>Commodity</th>
<th>CCC Payment Trigger</th>
<th>PLC Payment Trigger</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$2.35/bu</td>
<td>$3.70/bu</td>
<td>57%</td>
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<tr>
<td>Wheat</td>
<td>$3.65/bu</td>
<td>$5.50/bu</td>
<td>53%</td>
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<tr>
<td>Soybeans</td>
<td>$5.56/bu</td>
<td>$8.40/bu</td>
<td>66%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$459/ton</td>
<td>$535/ton</td>
<td>17%</td>
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<tr>
<td>Rice</td>
<td>$8.15/cwt</td>
<td>$14/cwt</td>
<td>72%</td>
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<tr>
<td>Barley</td>
<td>$2.39/bu</td>
<td>$4.95/bu</td>
<td>107%</td>
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Changes in Farm Subsidy Program: What is in the 2014 Farm Bill

• New milk produce program called the Dairy Margin Protection Program (no supply control but larger subsidies per cwt of milk for smaller dairy farms)
• Conservation Reserve Program but with funding only for 25 million acres by 2016 (about $1.2 billion a year)
• Other conservation programs will be combined
• R and D funding for public research may be increased
• Payment limits not really changed (the new bill just tinkers with them)
Take Home Messages

• The More Things Change, the More They Stay the Same

• Farm Subsidy Programs have changed but subsidies will likely remain at or above current levels and continue to flow in roughly the same amounts (or larger amounts) to the same crops.

• Farm Bill incentives for land use will not change very much (less CRP but not much less CRP)

• The real question for the farm sector and land use is whether the Renewable Fuels Mandate will be enforced or, effectively, abandoned. The answer to that question may be coming soon.
Questions?