



# FARM BILL SUPPORT PROGRAMS: A FARMER PERSPECTIVE – PART 2

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**AAE 320**

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# Learning Goals

- To understand how these three commodity support programs operate at the individual farm level
  - Price Loss Coverage (PLC)
  - Agricultural Risk Coverage (ARC)
  - Marketing Assistance Loans (MAL)

## Part 2 (separate slides)

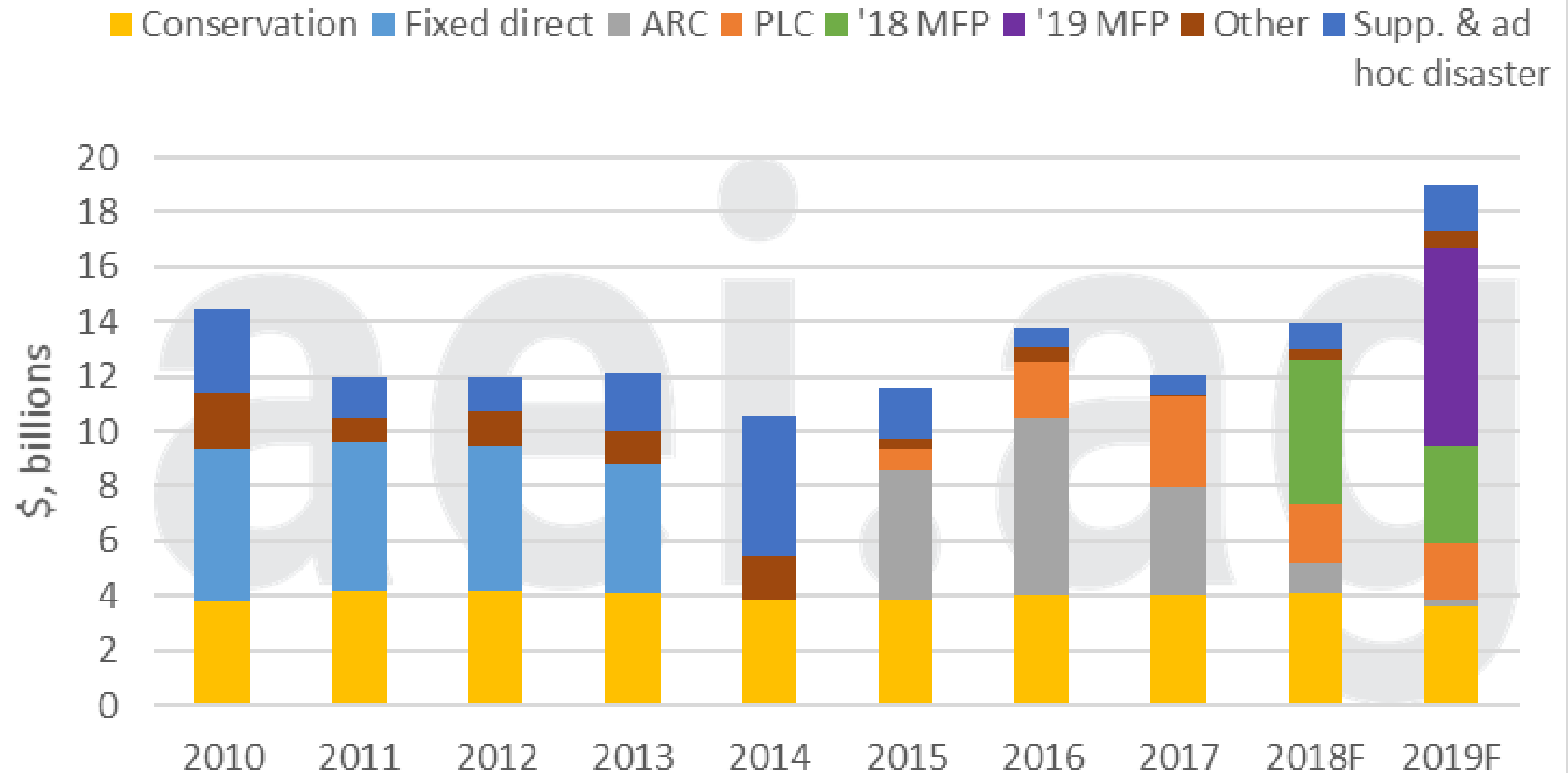
- Market Facilitation Program (MFP)
- Dairy Margin Coverage (DMC)
- Coronavirus Food Assistance Program (CFAP, CFAP2)

# Market Facilitation Program (MFP)

# Market Facilitation Program (MFP)

- In 2018, trade wars led to tariffs on US ag exports and large price declines for several ag commodities
  - Already low prices and low farm income before trade war
- Administration created the Market Facilitation Program
  - Outside of Farm Bill and usual legislative process
- Rules were developed and payments announced for 2018
- MFP payments announced in 2019, developed different rules
- MFP is broader than just payments to farmers:
  - Food Purchase & Distribution Program: buy surplus of affected commodities
  - Trade Promotion Program: restore lost markets, develop new export markets

## Form of Direct Farm Payments



# MFP 2018 Covered Commodities

- MFP provides payments to eligible producers of:
- Non-Specialty Crops: alfalfa hay, barley, canola, corn, crambe, dried beans, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, millet, mustard seed, oats, peanuts, rapeseed, rye, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, triticale, upland cotton, and wheat
- Specialty Crops: almonds, cranberries, cultivated ginseng, fresh grapes, fresh sweet cherries, hazelnuts, macadamia nuts, pecans, pistachios, and walnuts
- Livestock: dairy and hogs

# MFP Eligibility

- Produce one or more of these commodities, and must either:
  - 1) Have an average AGI for tax years 2015-2017 < \$900,000 OR
  - 2) Derive at least 75% of AGI from farming or ranching
- Producers also must:
  - Comply with the provisions of the “Highly Erodible Land and Wetland Conservation” regulations, often called Conservation Compliance provisions
  - Have a farm serial number with USDA's Farm Service Agency
- Notice: did not need base acres

# MFP Payments

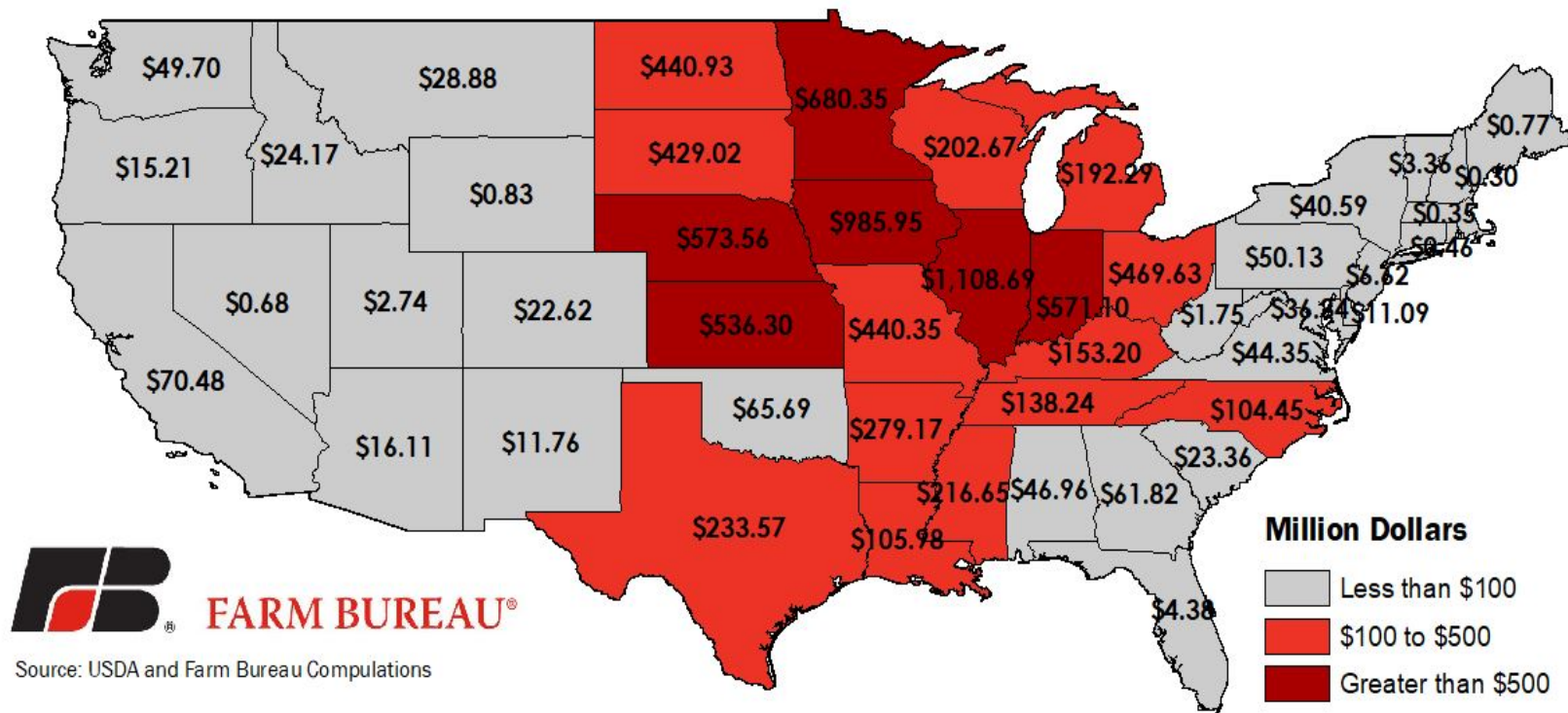
- 2018: MFP payments based on farmer's production of affected commodities:
  - Soybeans = \$1.62/bu, Wheat = \$0.14/bu, Corn = \$0.01/bu
  - Dairy = \$0.12/cwt
- 2019: MFP payments based on total acres of affected commodities a farmer planted, each county had a different rate
  - Acres instead of production (was it decoupled?)
- Specialty crops were also paid on per acre basis
  - Cranberry and Ginseng the major WI crops



# MFP Payments for 2018

**Figure 1. Total Market Facilitation Program Payments,  
U.S. \$8.5 Billion**

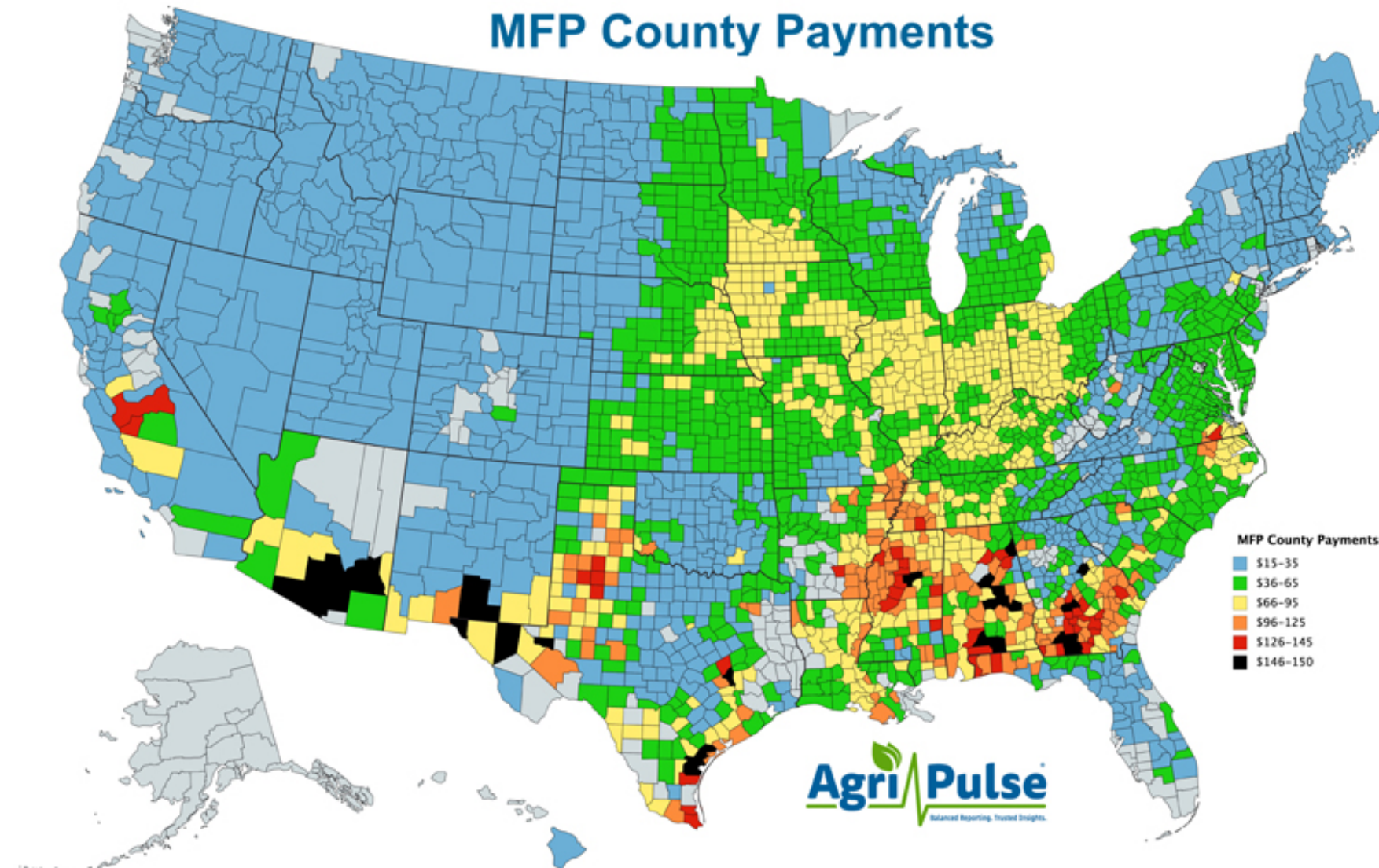
As of May 13, 2019, Includes Corn, Cotton, Dairy, Sweet Cherries, Hogs, Shelled Almonds, Sorghum, Soybeans and Wheat



**2018 MFP payments exceeded \$200 Million in WI:  
Soybeans \$166 Million, Dairy \$28 Million, Corn \$5 Million**

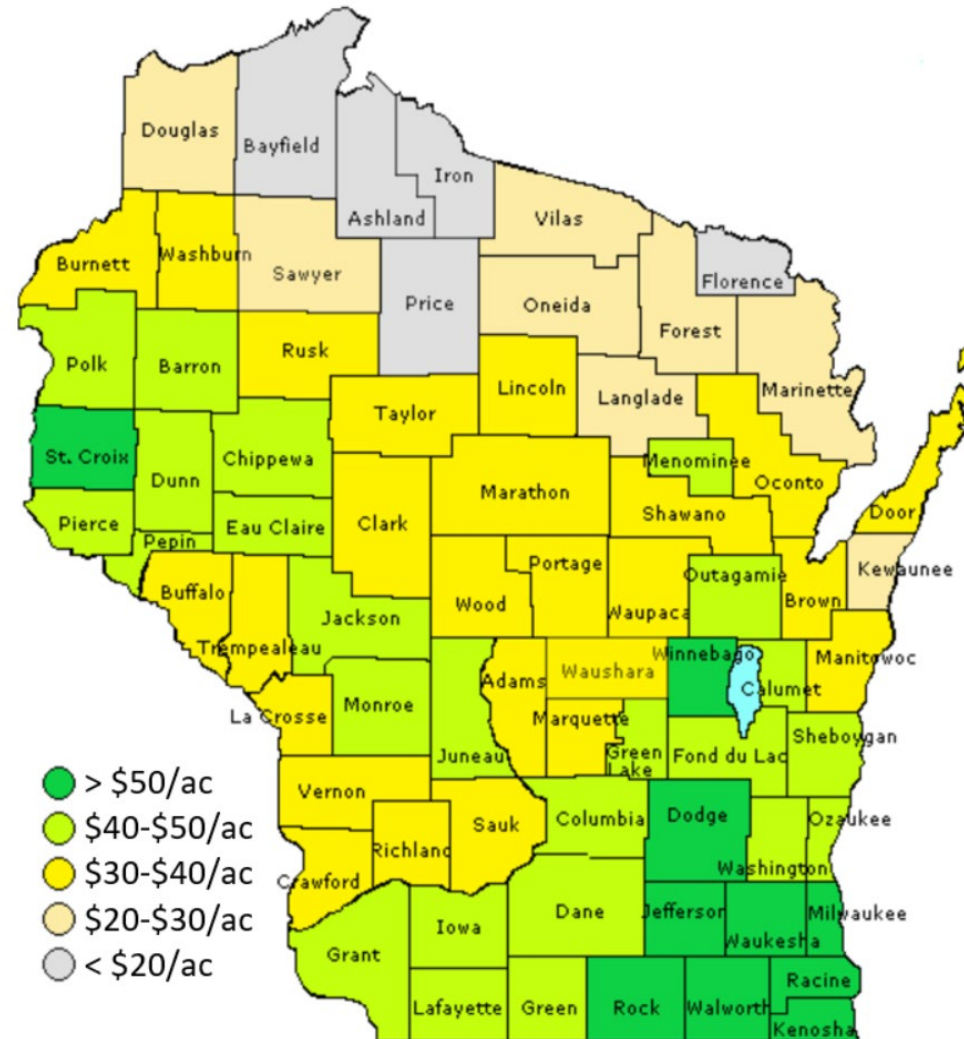
<https://www.fb.org/market-intel/mapping-8.5-billion-in-trade-assistance>

# MFP Payment Rates for 2019



<https://www.agri-pulse.com/articles/12457-map-a-look-at-where-the-mfp-payments-are-going>

# 2019 MFP Payment Rates in WI



<https://renk.aae.wisc.edu/2019/08/05/market-facilitation-program-what-it-means-for-wisconsin-producers/>

# Market Facilitation Program (MFP)

- MFP a temporary (ad hoc) program outside of the Farm Bill to give farmers a major influx of money when needed
  - FSA quickly created program in 2018, then changed rules for 2019
- Key is temporary: the budgetary authority used is almost consumed (\$30 Billion) and trade war is hopefully ending
  - With pandemic, Congress increased it again for CFAP, CFAP2
- Example of a new program, another acronym, and new set of rules to learn, all part of being a farmer

# Dairy Margin Coverage (DMC)



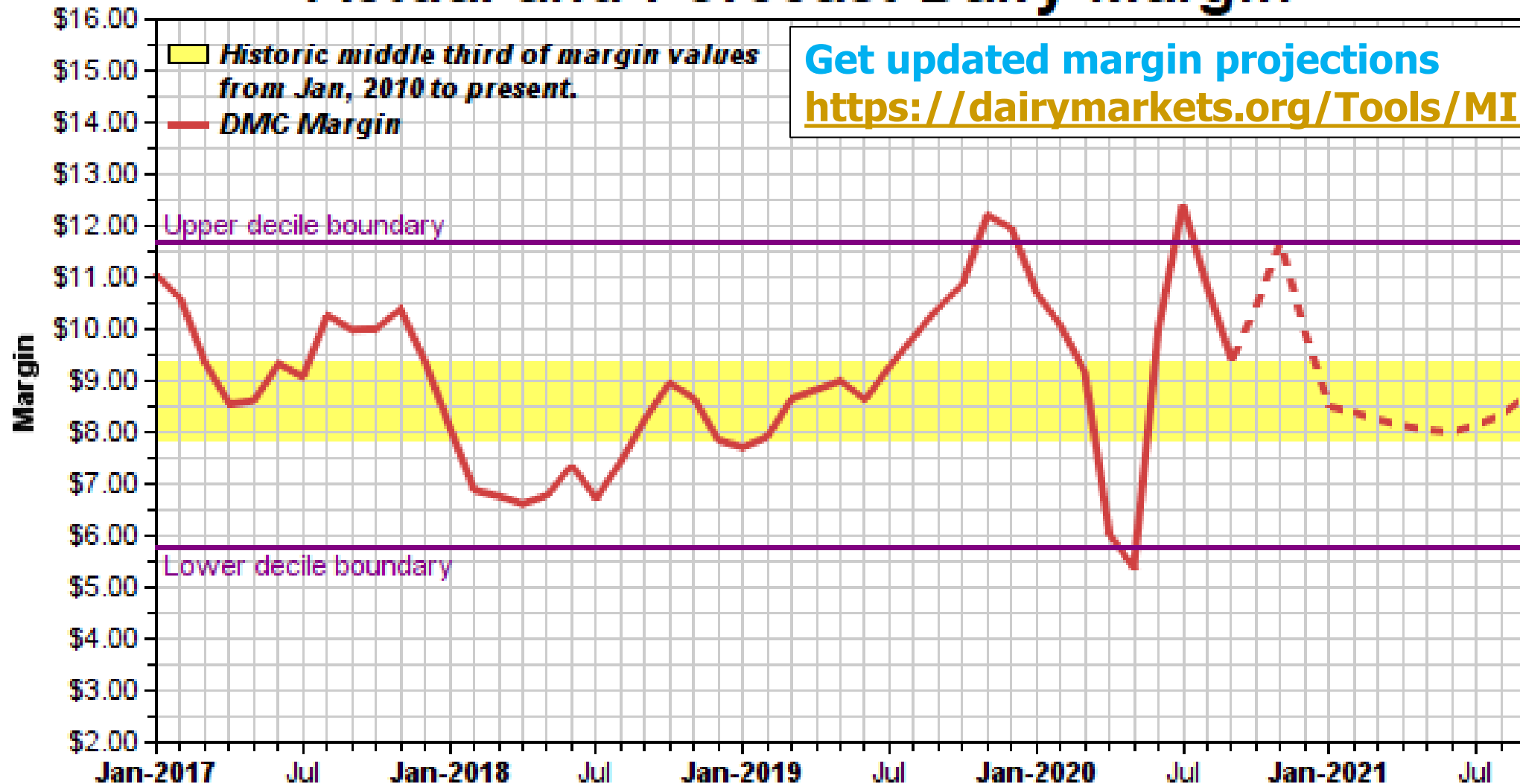
# Dairy Margin Coverage (DMC)

- 2018 Farm Bill: new dairy program: Dairy Margin Coverage (DMC)
  - Replaced unpopular Dairy Margin Protection Program (MPP) from the 2014 Farm Bill, which replaced Milk Income Loss Coverage (MILC)
- DMC like MPP, but with tweaked parameters and a new name
- Makes payments when the difference between the USDA's average national All-Milk price and a program-defined fixed feed ration valued at U.S. average prices falls below producer chosen Income Over Feed Costs (IOFC)
  - Margin used to pay fixed costs, overhead, management

# Dairy Margin Coverage (DMC)

- Margin Guarantee (Coverage Level Threshold)
  - \$4.00/cwt to \$9.50/cwt in 50¢ increments
- Payment Rate (Coverage Percentage)
  - 25% to 95% in 5% increments
  - Payment rate for each \$ the Actual Margin < Guarantee
- Voluntary program with annual coverage decisions
  - Enroll until 2023 for 25% premium discount
- Farmer gets \$4/cwt margin for free, pay for higher margin, with higher premium for production over 5 million pounds

# Actual and Forecast Dairy Margin



Get updated margin projections

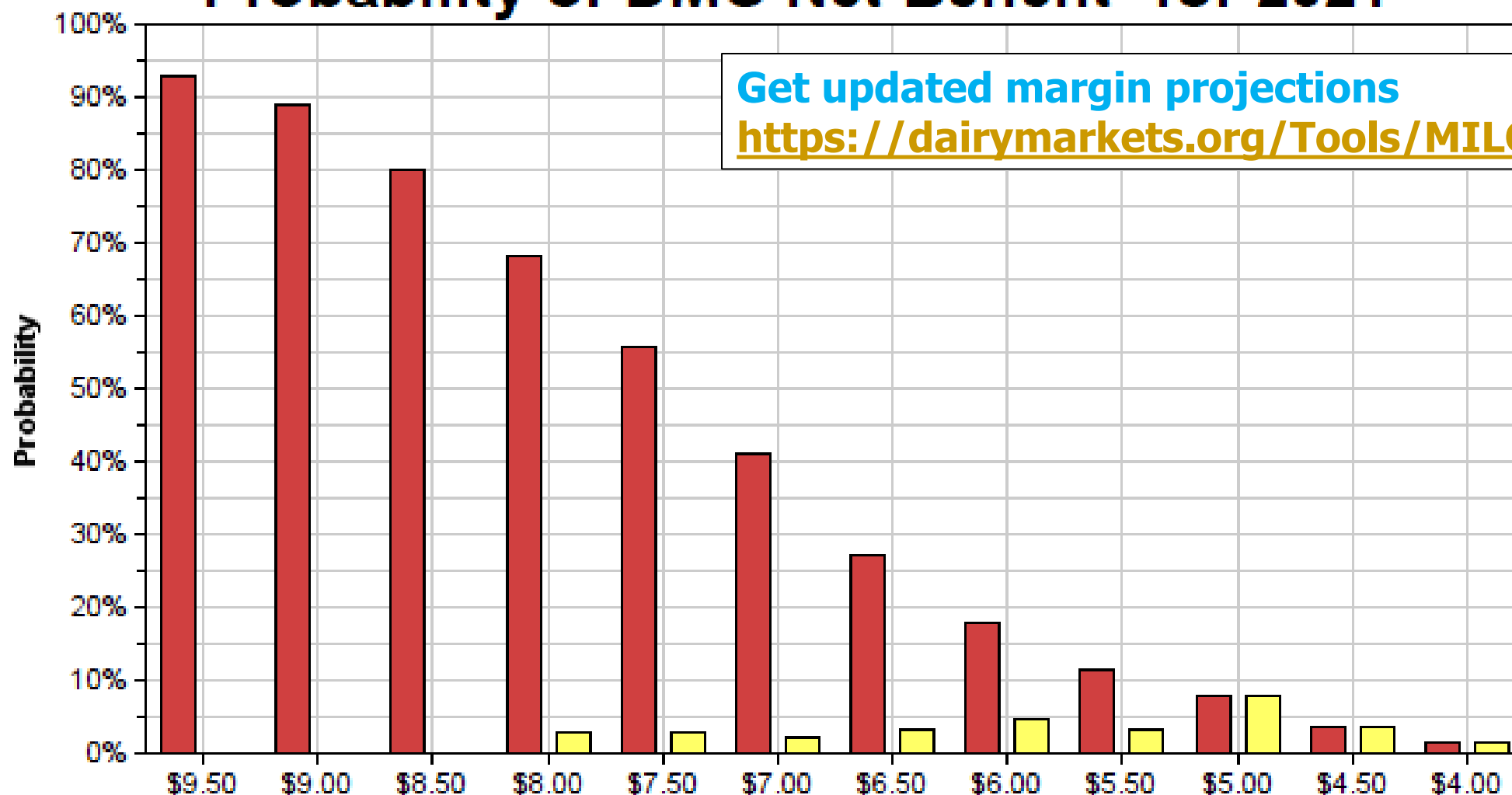
<https://dairymarkets.org/Tools/MILC-MPP.html>



# Probability of DMC Net Benefit\* for 2021

Get updated margin projections

<https://dairymarkets.org/Tools/MILC-MPP.html>



■ New Tier 1

■ Tier 2

\* Indemnity payments minus premiums.

Updated 11/16/20

## DMC Premium Costs (\$/cwt)

Coverage Level	Tier 1 Premium per cwt for covered production history of 5 mil lbs. or less	Tier 2 Premium per cwt, all years for covered production history over 5 mil lbs.
\$4.00	None	None
\$4.50	\$0.0025	\$0.0025
\$5.00	\$0.005	\$0.005
\$5.50	\$0.030	\$0.100
\$6.00	\$0.050	\$0.310
\$6.50	\$0.070	\$0.650
\$7.00	\$0.080	\$1.107
\$7.50	\$0.090	\$1.413
\$8.00	\$0.100	\$1.813
\$8.50	\$0.105	N/A
\$9.00	\$0.110	N/A
\$9.50	\$0.150	N/A

- 5 million pounds at 27,000 pounds per cow per year = 185 cows
- \$9.50 margin, 5 million pounds and \$0.15/cwt = \$2,500
- Cost for production above 5 million pounds rises quickly after the \$5.50 margin

# Dairy Margin Coverage (DMC) Resources

- USDA FSA page: <https://www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index>
- Program on Dairy Markets and Policy has tons of dairy information, including DMC and DMC decision tools <https://dairymarkets.org/>
- 2020 Video by Mark Stephenson, Director the UW Center for Dairy Profitability <https://dairymarkets.org/dmc.mp4>

# Coronavirus Food Assistance Program (CFAP)

## Coronavirus crisis puts hog farmers in uncharted territory: Killing their healthy livestock

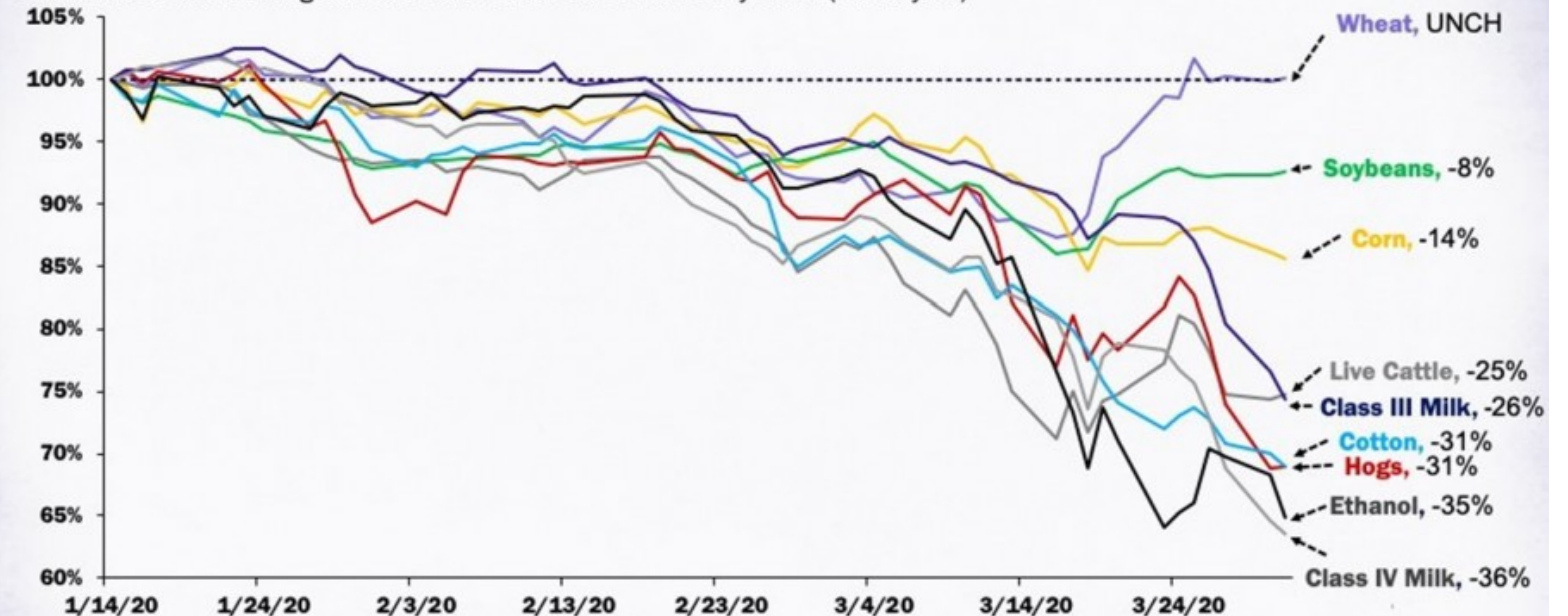
"It's an absolute last resort that is probably the hardest decision farmers will make in their farming careers," the head of a pork producers association said of euthanizing herds.



## Coronavirus Food Assistance Program (CFAP) part of the CARES Act that passed March 27, 2020

### Impact of COVID-19 on U.S. Commodity Futures Prices

Cumulative Percent Change in Price Since Outbreak Confirmed By China (January 14)



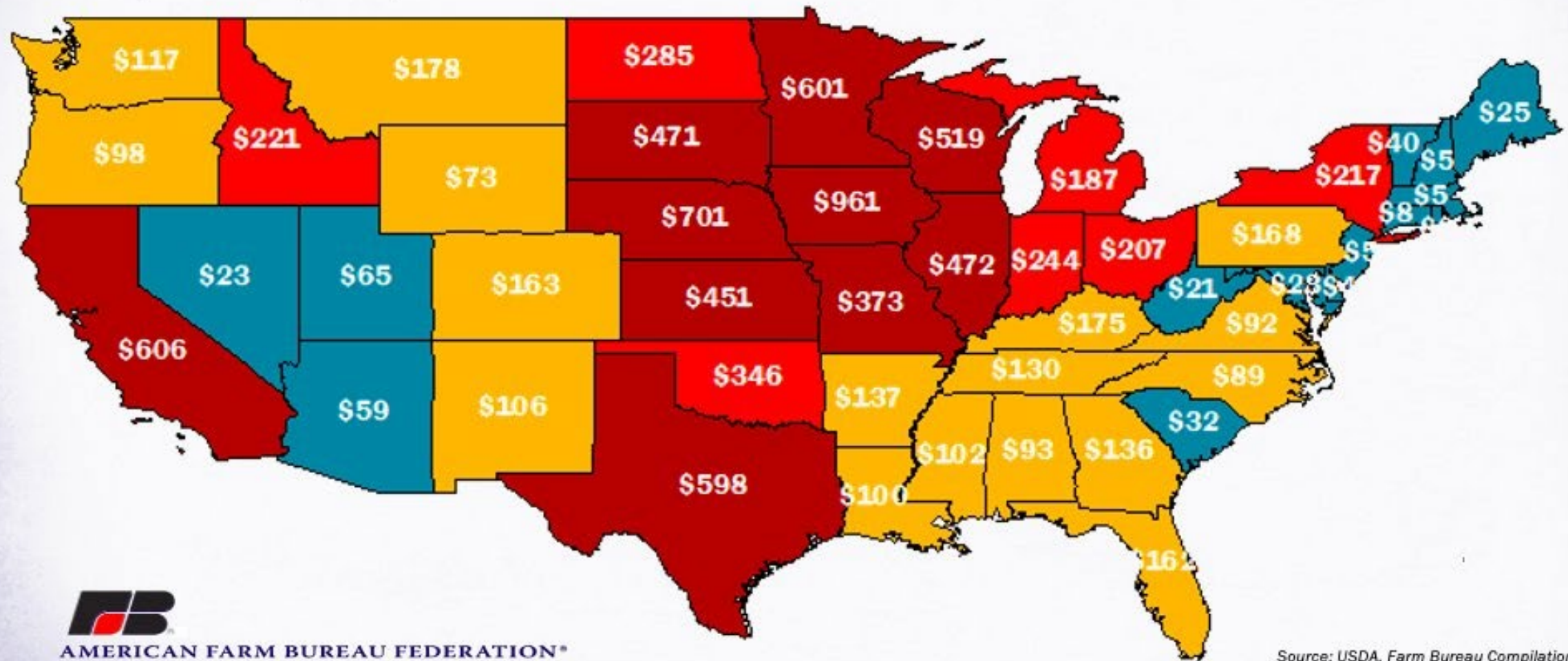
# Coronavirus Food Assistance Program (CFAP)

- USDA partnered with local distributors to buy and distribute food boxes (like a federally sponsored food bank)
- Direct support to farmers: crop and livestock
- For farmers, CFAP sign up ran May 26, 2020 to Sept 11, 2020
- Farmers certified their 2019 production inventory as of Jan 15, received payments for crops that suffered > 5% price decline
  - Crops: Corn \$0.335/bu, Soybeans \$0.475/bu, Oats \$0.16/bu, many more
  - Convert silage inventory to grain equivalents
  - Dairy \$4.71/cwt for milk production Q1 2020, \$1.47/cwt for Q2 2020
  - Cattle: payments varied with live weight, but as high as \$250/head



# \$9.9 Billion in Coronavirus Food Assistance Program Direct Payments

As of September 13, 2020, Million Dollars



AMERICAN FARM BUREAU FEDERATION®

Source: USDA, Farm Bureau Compilations

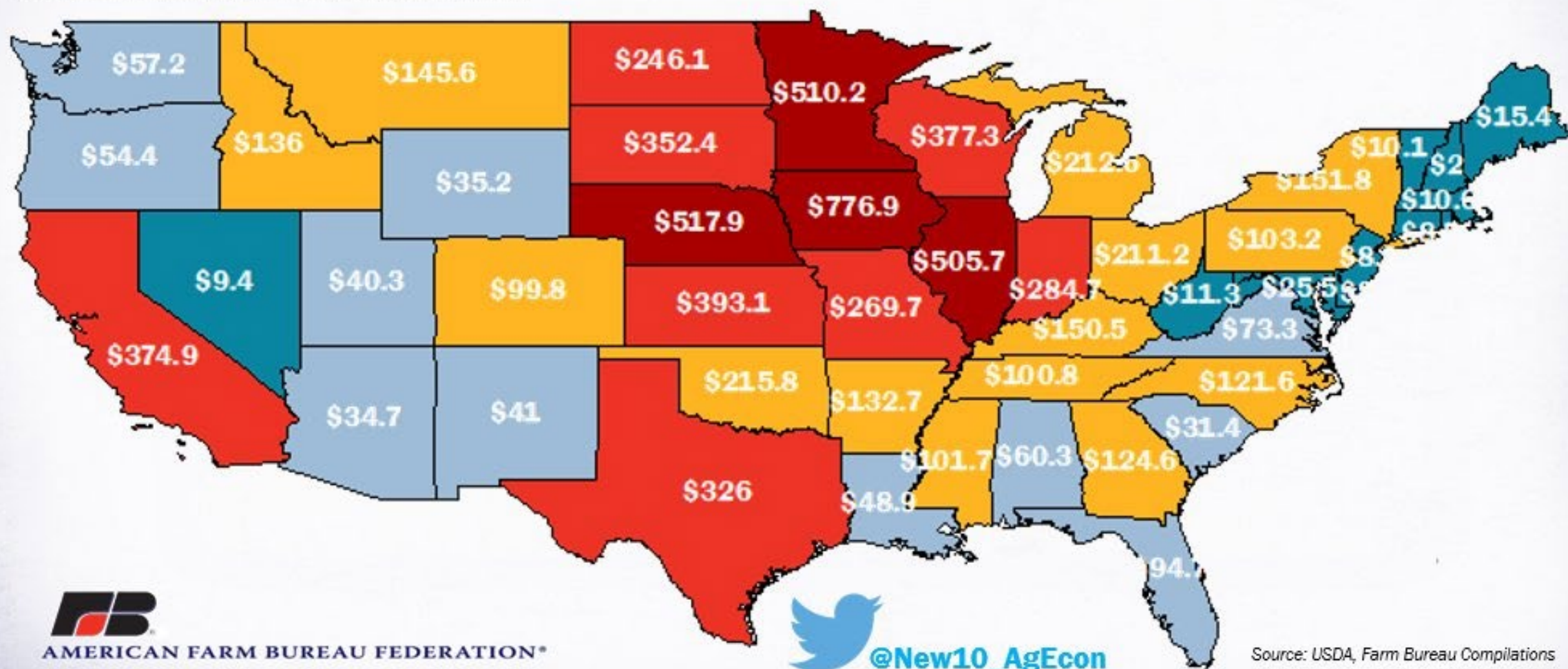
# CFAP2: An Additional \$14 Billion

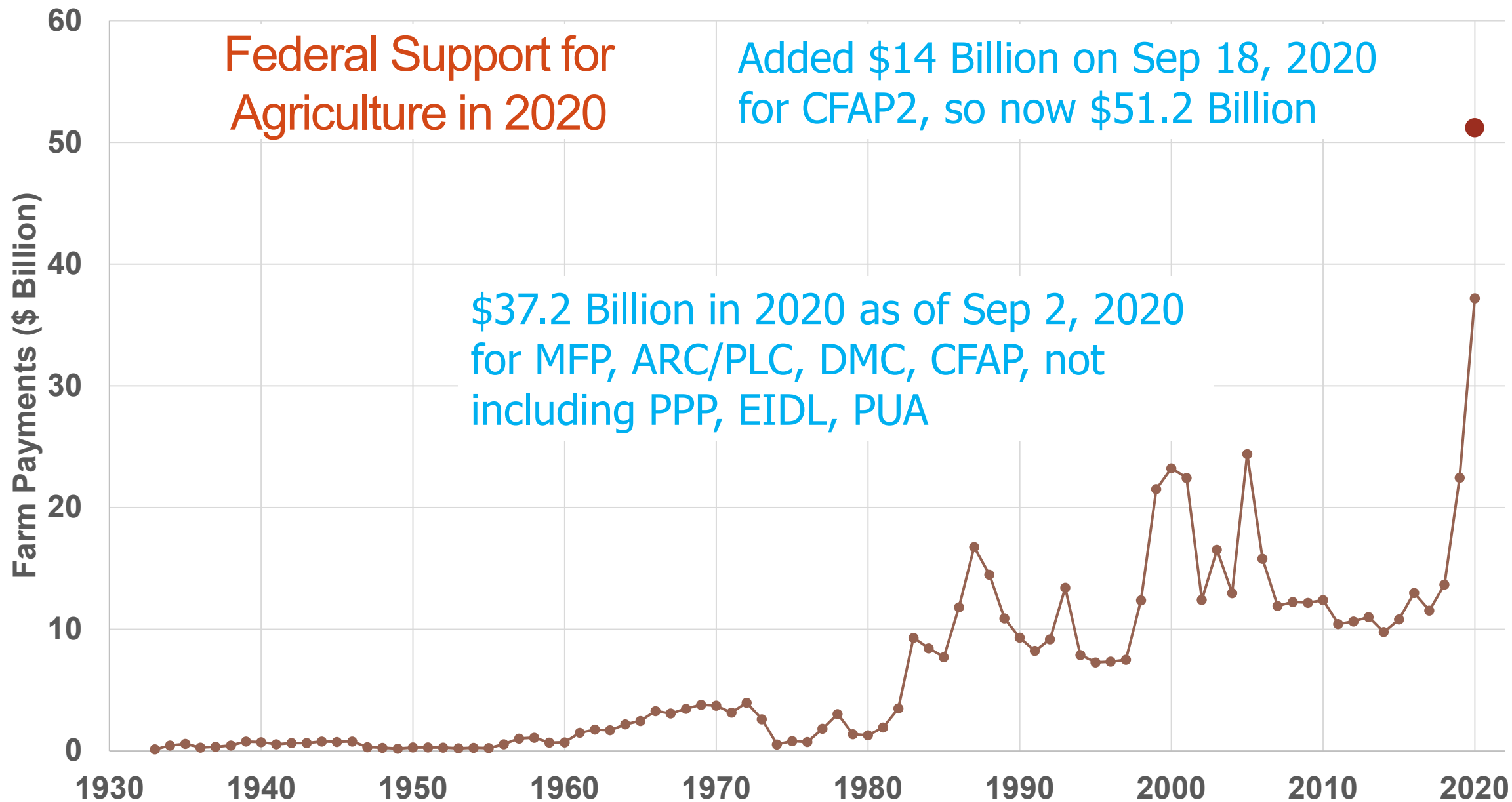
- CFAP2 passed Sep 17, 2020
- Enrollment Sep 21 to Dec 11, 2020
- Eligible crops/livestock: “If you grow it, likely can get a payment for it!”
- Row crops 2020 production x payment rate
  - Corn \$0.232/bu, Soybean \$0.3132/bu, Wheat \$0.3942/bu
- Flat rate row crops or acreage-based crops paid \$15/ac: Alfalfa
- Dairy: \$2.16/cwt Apr 1 to Dec 31 milk production (dairy goats too!)
- Beef: Max inventory Apr 16 to Aug 31, 2020 @ \$55/head
  - Most other livestock per head as well
- Specialty Crops: payments based on 2019 sales: 10.6% to 8.8%



# \$7.6 Billion in Total CFAP 2 Support

As of October 25, 2020, Million Dollars





# Summary

- Provided a quick overview of MFP, DMC, CFAP and CFAP2