

# FARM POLICY: WHAT'S COMING FROM DC?

WISCONSIN AGRIBUSINESS ASSOCIATION: 2023 AGRIBUSINESS CLASSIC

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**January 11-12, 2023**

**Madison, WI**

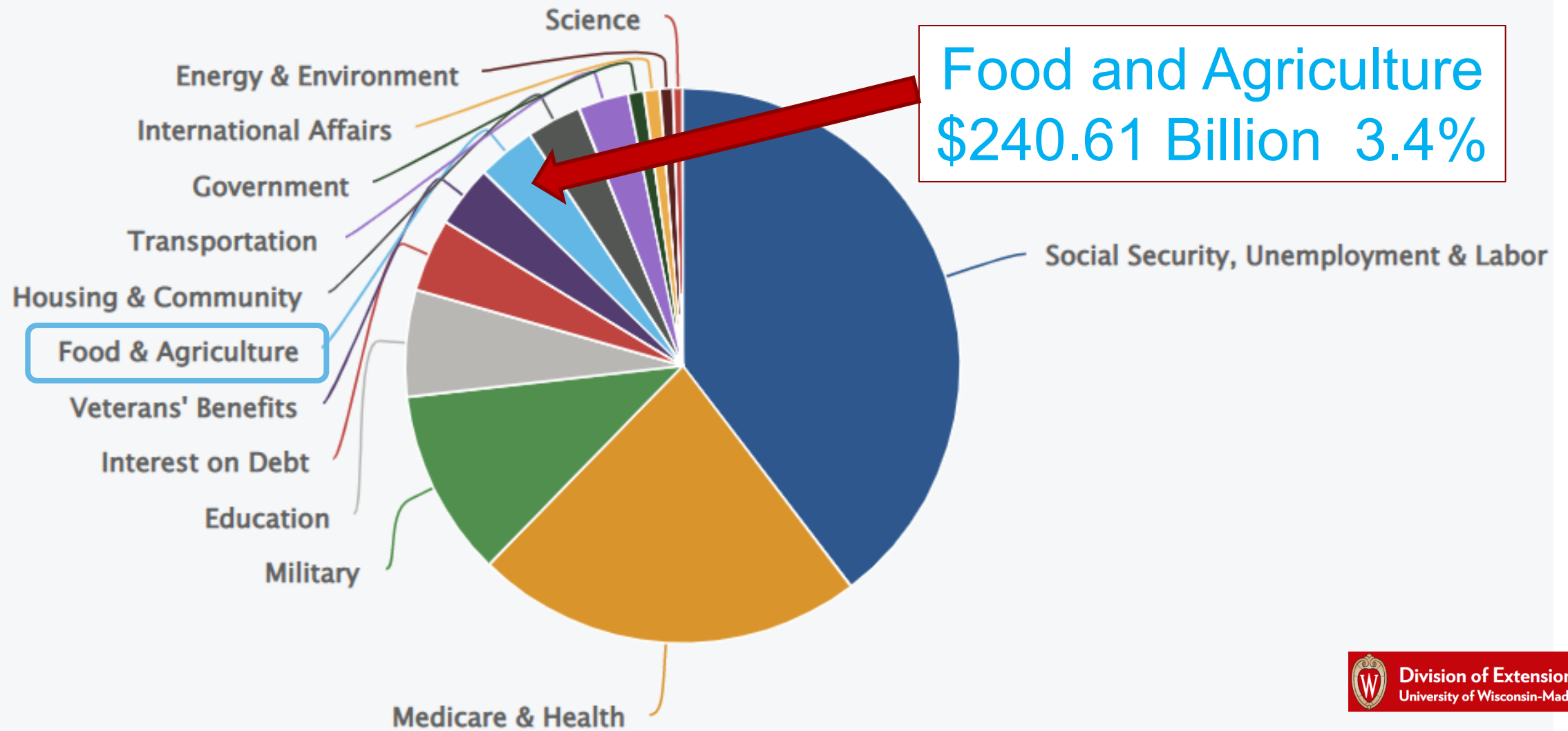
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# Goal Today

- Put Commodity Support into context of the federal budget
- ARC/PLC recommendations for 2023 crops
- Crop insurance updates
- Summarize new ag policy initiatives
- Thoughts on the 2023 Farm Bill

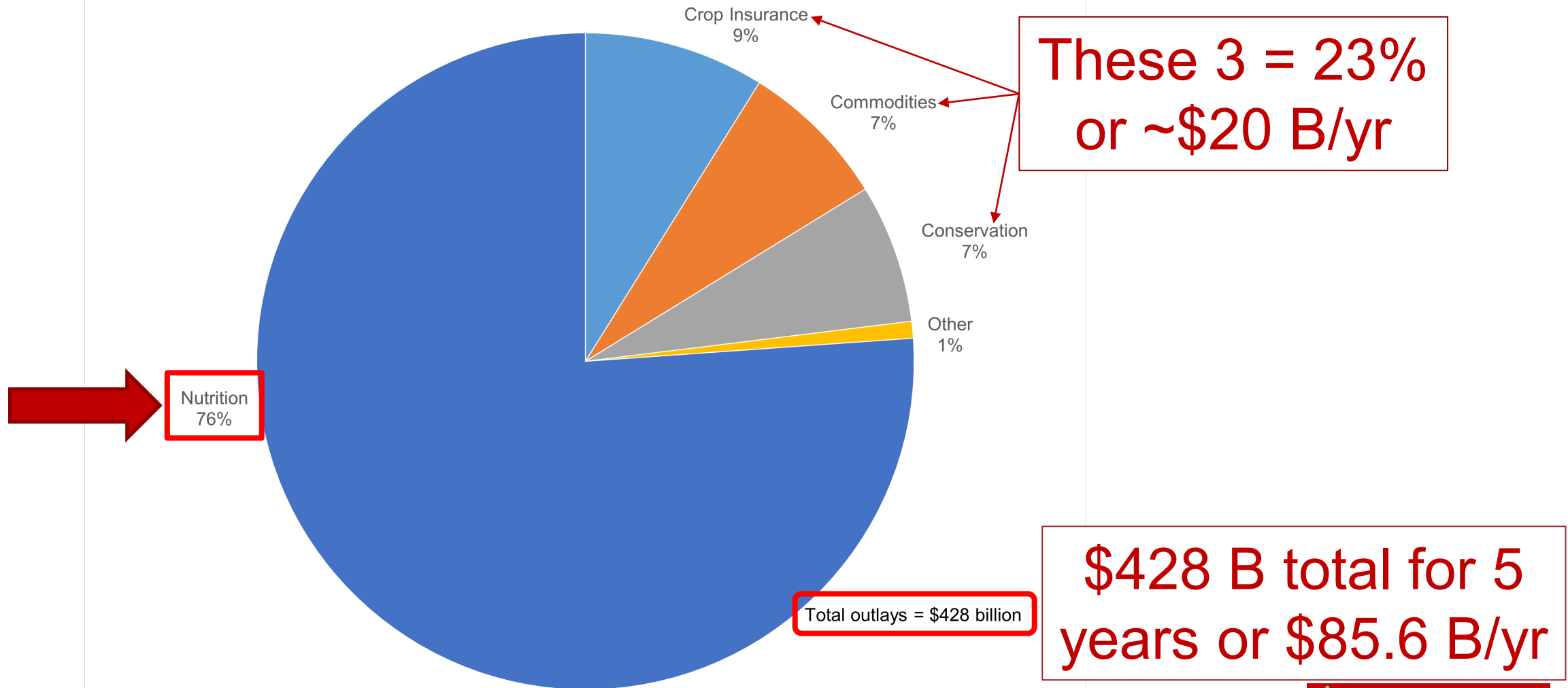
# Total Federal Spending Fiscal Year 2021

**\$6.8 Trillion (30.5% GDP)**



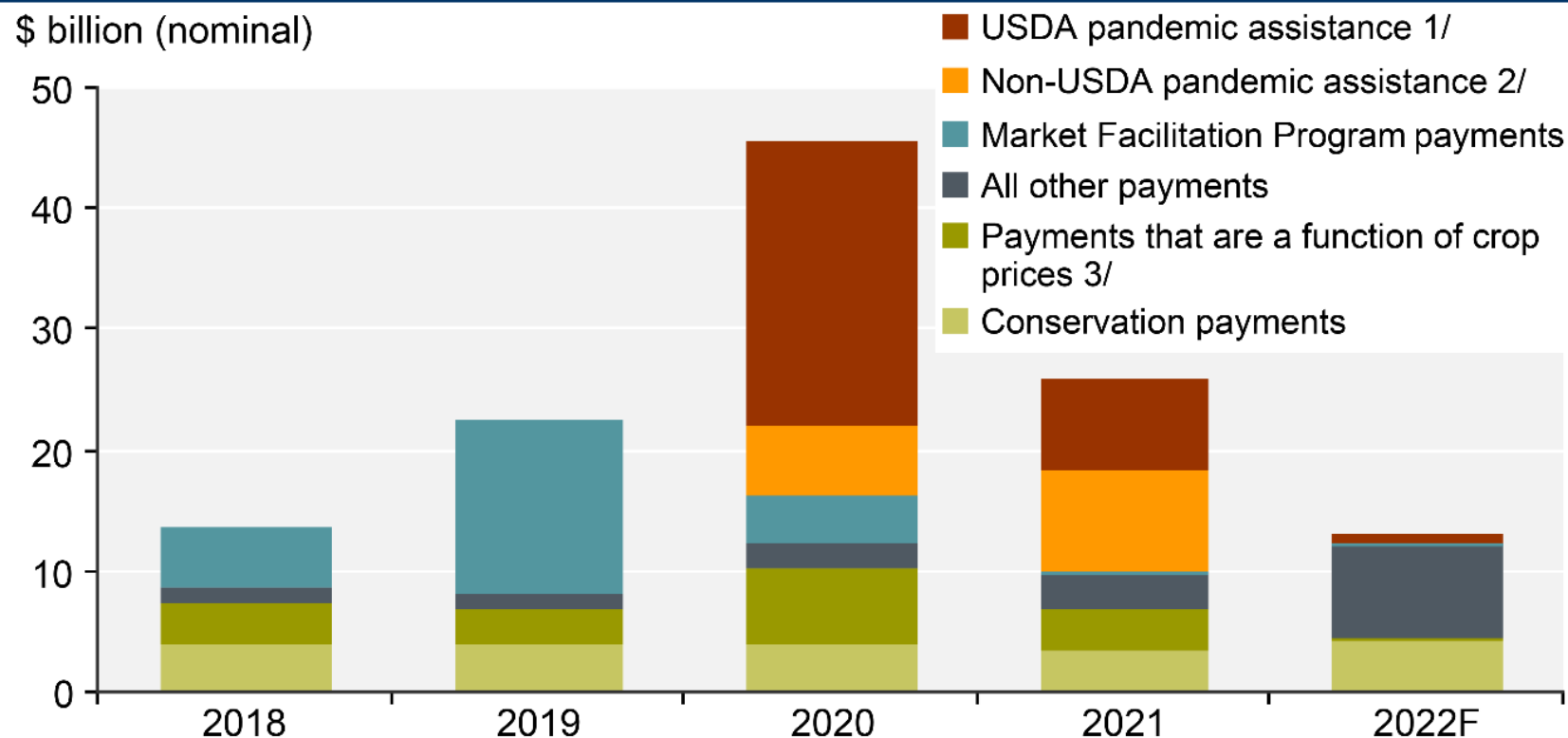
# Farm Bill Spending by Category

Projected outlays under the 2018 Farm Act, 2019-2023



Source: USDA Economic Research Service based on Congression Budget Office, Direct Spending Effects for the Agriculture Improvement Act of 2018, December 11, 2018.

## Direct government payments to U.S. farm producers, 2018–22F



Notes: F = forecast.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes forgiven loans from the Paycheck Protection Program.

3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, certificate exchange gains, and dairy payments.

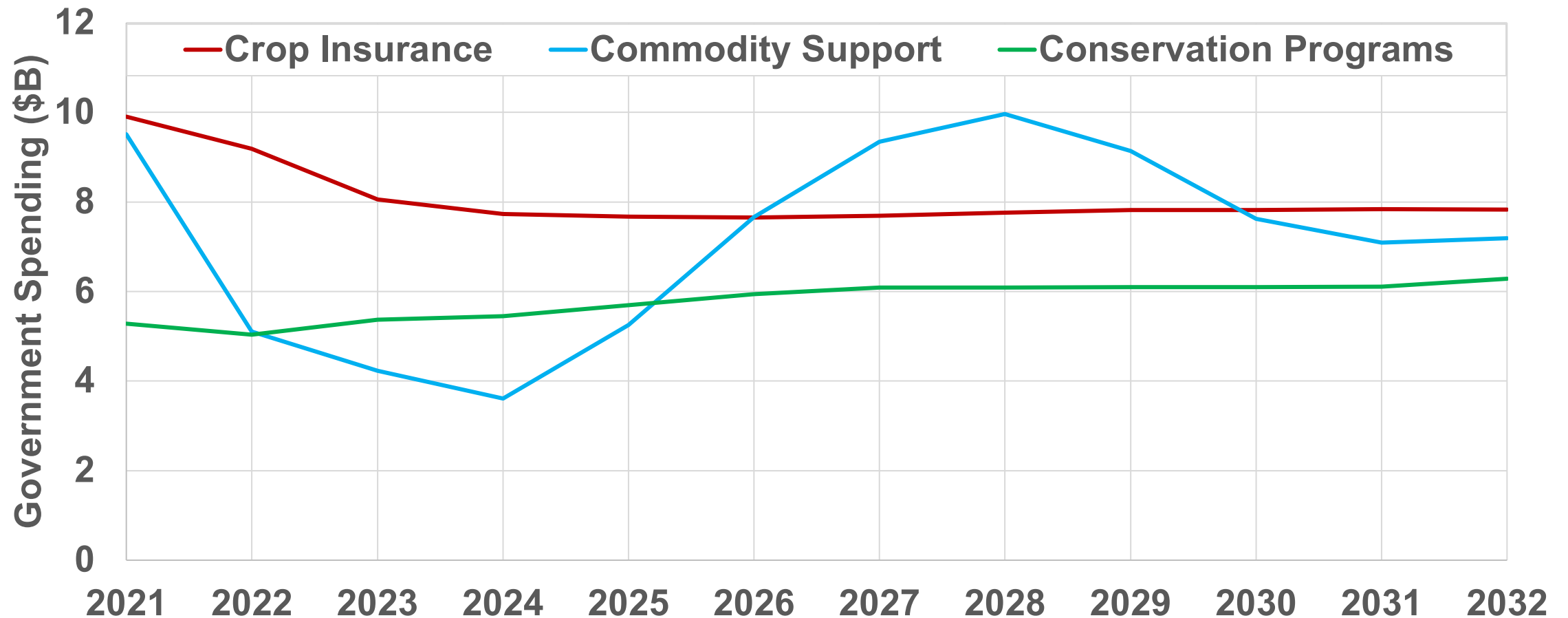
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 1, 2022.

**Commodity  
Support in 2022:  
Back to Normal**

Figure does not  
include crop insurance  
premium subsidies

# CBO Projected USDA Spending



<https://www.cbo.gov/system/files?file=2022-05/51317-2022-05-usda.pdf>

# ARC and PLC for 2023

- Farmers choose ARC-CO or PLC for their base acres
- PLC provides a Price Floor at national level
- ARC provides Revenue Floor at county level
- Can mix and match across farms and crops
- Signup now for the 2023 crop season
- Deadline is March 15, 2023 with USDA-FSA
- Payments based on marketing year average prices, from Sep 1, 2023 until Aug 31, 2024, with payments made, if triggered, in Sep/Oct of 2024

# Reference Prices and USDA Farm Price Projections

Crop	Reference Price	Projected 2022 Price	Projected 2023 Price
Corn	\$3.70	\$6.80	\$5.70
Soybeans	\$8.40	\$14.00	\$13.00
Wheat	\$5.50	\$9.20	\$8.00
Oats	\$2.40	\$5.70	\$3.55

- Projected 2022 Price: USDA-FSA (Nov 9, 2022)  
[https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/2022/pdf/2022\\_my.pdf](https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/2022/pdf/2022_my.pdf)
- Projected 2023 Price: USDA Agricultural Projections (Nov 7, 2022)  
<https://www.usda.gov/oce/commodity-markets/baseline>

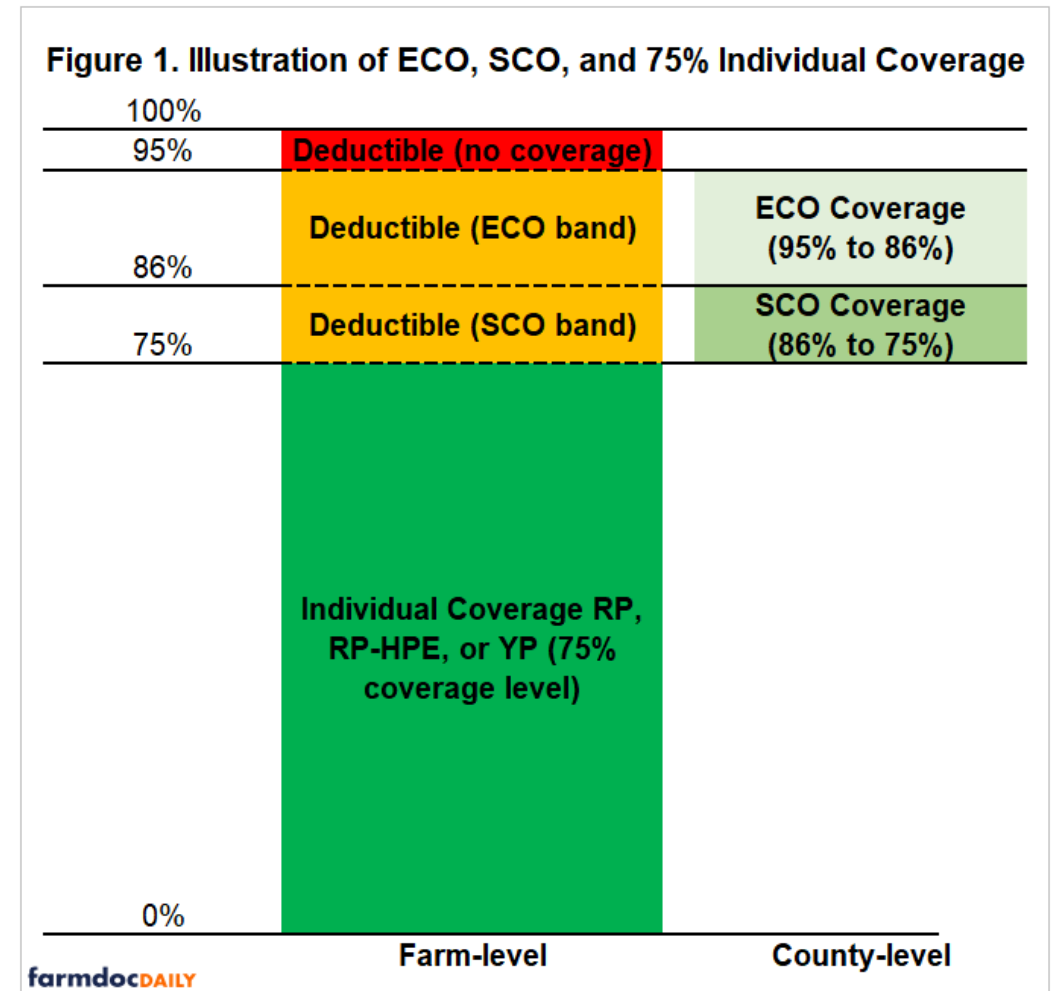


# My Recommendations for 2023

- **Choose ARC for Corn, Soybeans, Wheat and Oats**
- ARC-CO is more likely to make payments due to the possibility of low county yields not offset by higher national prices
- Neither ARC nor PLC are likely to pay (little if they do pay)
- Sign up now. You can make changes before the March 15, 2023 deadline if price expectations for 2023 change substantially
- **If you want to buy SCO (Supplemental Coverage Option) crop insurance for corn, soybeans or wheat, you must choose PLC**

# Supplemental Coverage Option (SCO) Enhanced Coverage Option (ECO)

- Insure part of your RP deductible with a county policy (ARP)
- SCO covers from RP coverage up to 86% of expected revenue
- ECO covers from 86% up to 95%
- SCO has a 65% premium subsidy, but you must choose PLC if buy SCO
- ECO has smaller premium subsidy, but can use ECO with ARC or PLC
- Can add ECO on top of SCO or use ECO instead of SCO
- **My recommendation: It's your decision**

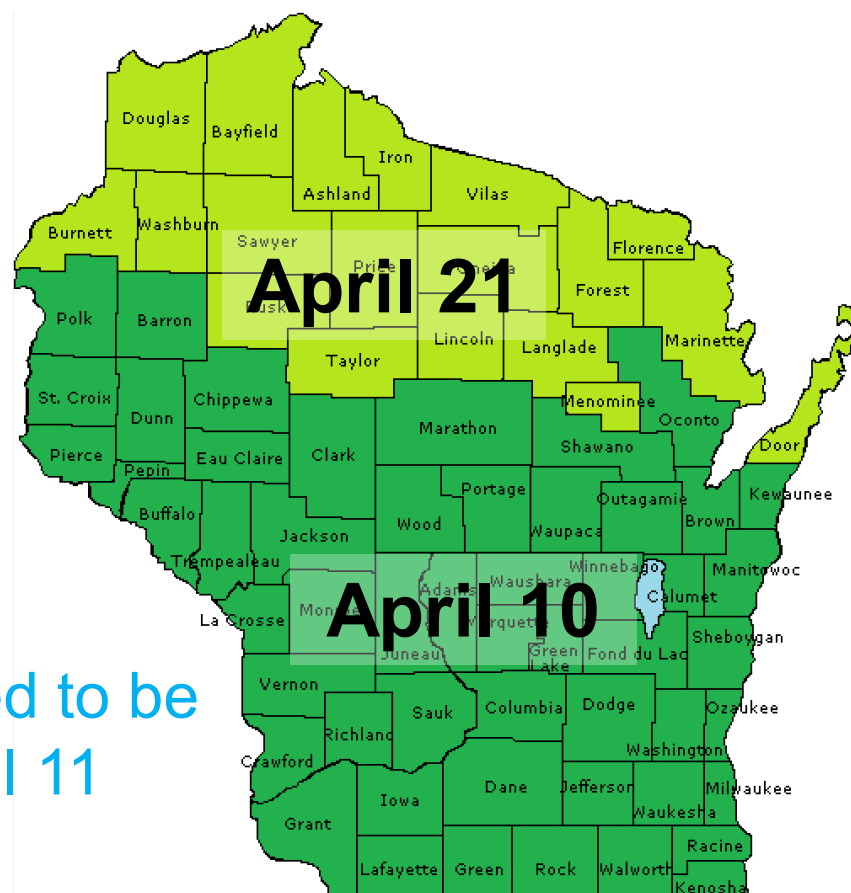


# Farmer Use of SCO and ECO in Wisconsin

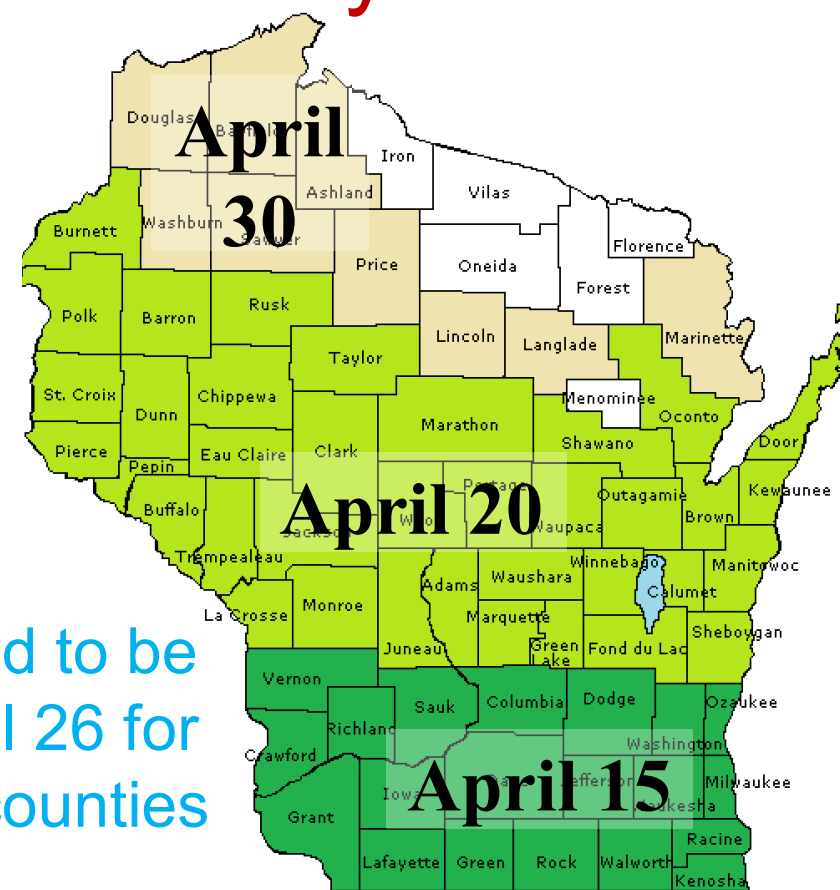
Year	Crop	SCO Policies	SCO Acres	ECO Policies	ECO Acres
2020	Corn	827	268,490		
	Soybeans	310	77,653		
	Wheat	11	700		
2021	Corn	848	255,037	718	228,017
	Soybeans	476	107,021	467	104,107
	Wheat	68	6,708		
2022	Corn	697	225,266	774	239,718
	Soybeans	497	110,593	4	568
	Wheat	64	6,106	56	5,340

# Earliest Planting Dates Changed (to Qualify for Replant Coverage)

## Corn



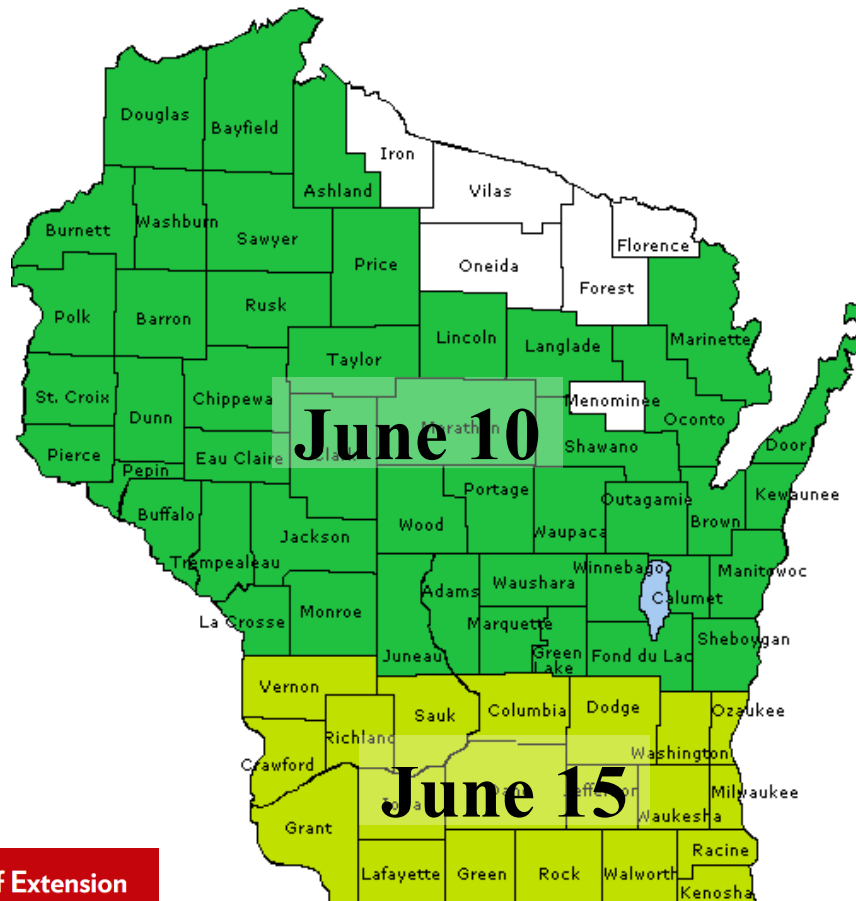
## Soybeans



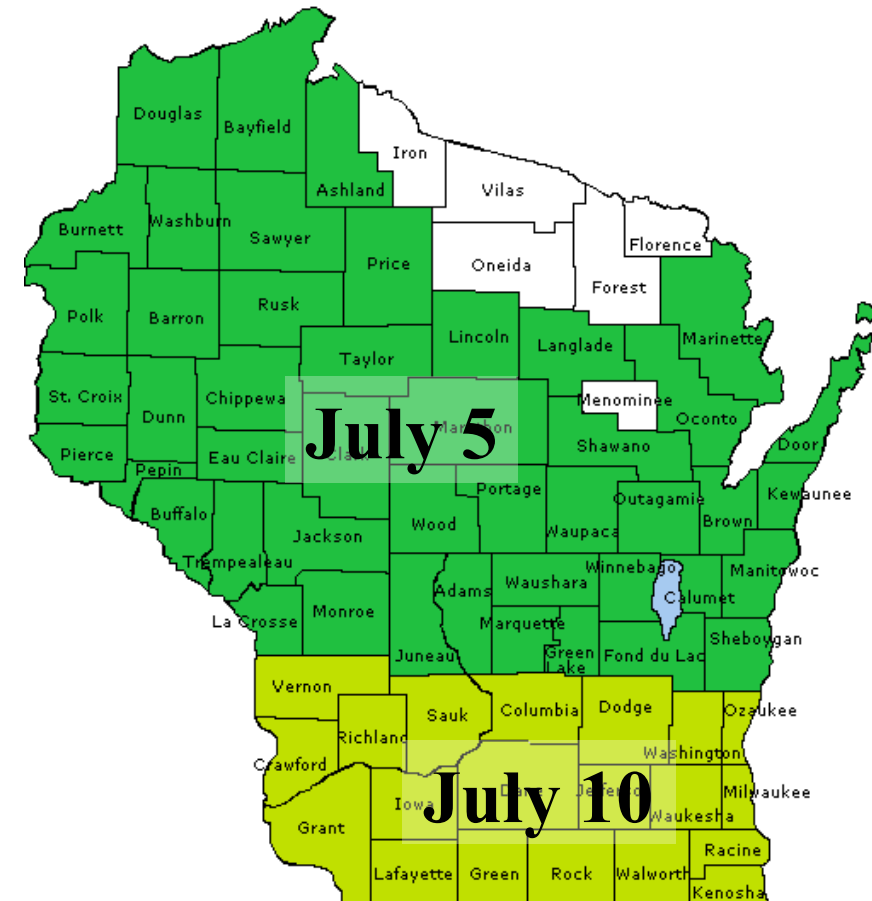
Information Courtesy of David Kilpatrick, Premier Insurance Solutions

# Reminder: Soybean Planting Dates

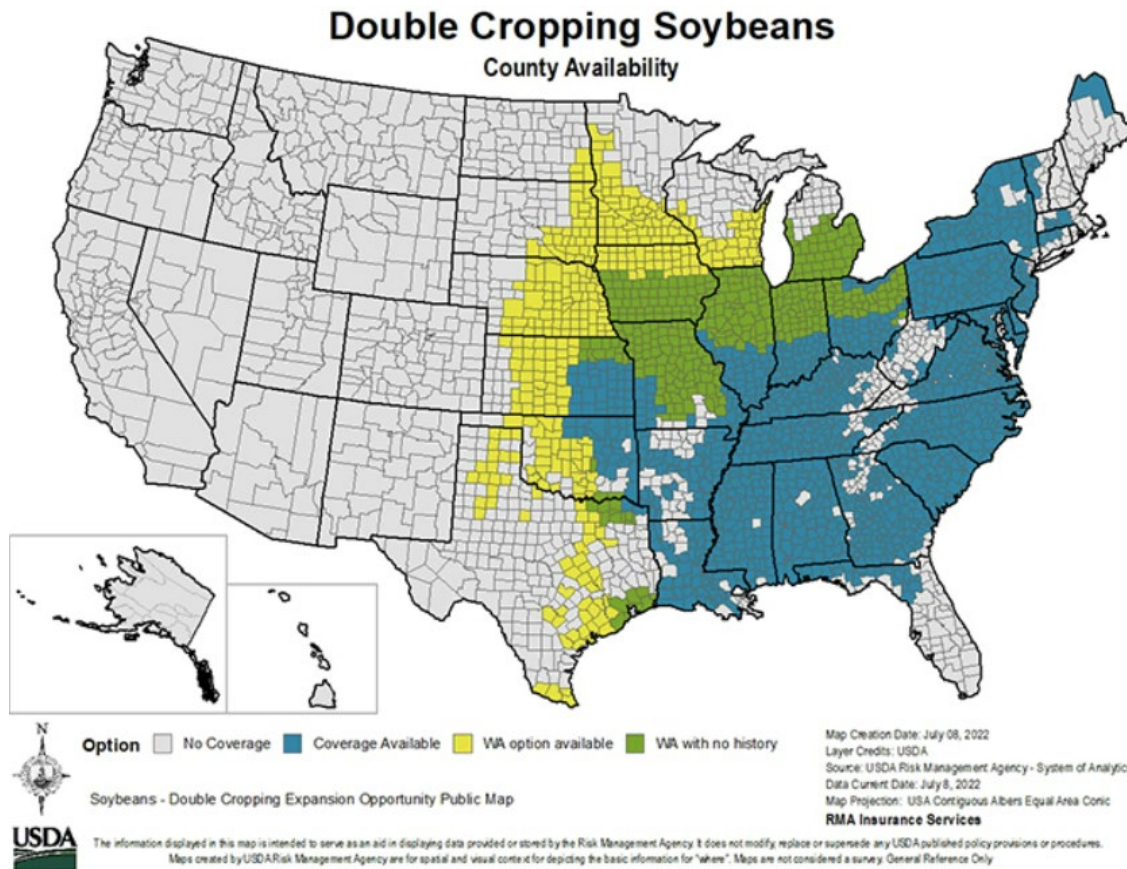
**Final Planting Date**  
(without Reducing Guarantee)



**End of Late Planting Period**  
(Guarantee Maximum is 60% of Original)



# New Soybean Double Cropping Rules for 2023



- Crop insurance coverage available
- Written Agreement, no history of soybean double cropping needed
- Written Agreement, history of soybean double cropping needed

- Soybeans double cropped after wheat has a much lower revenue guarantee (60% of original)
- Trial it now to establish a history?
- Contact your crop insurance agent, written agreements take time

# Oats now has Revenue Protection (RP)

- Revenue Protection (RP) the most popular policy
  - 75%-80% of corn and soybeans planted in WI are insured
  - For insured corn & soybeans, 92% of corn and 95% of soybeans use RP
- Oats important in WI, 2<sup>nd</sup>/3<sup>rd</sup> in US for planted acres (130k–300k)
- WI farmers have not used crop insurance much for oats
  - 7-10% of planted acres insured 2020 to 2022
- Wheat in WI has similar planted acres (160k–300k acres)
  - Uses crop insurance for ~45% planted acres, >90% uses RP
- Will RP for Oats bring more insured acres for oats?



# WI has \$5/ac Premium Rebate if Planted Cover Crops

- Wisconsin program started for 2023 (similar to older IA, IL, IN programs)
- Had to plant cover crop in 2022, \$5/ac rebate for 2023 insurance premium
- **Sign-up ends Jan 31, 2023, so get started now**
- For cover crop acres planted outside of state and federal incentive programs
  - **Cannot be paid twice for planting the same cover crop**
- Use FSA form 578: farm number, tract number, common land unit/field number
- Also need your crop insurance policy number
- Google “DATCP cover crop program”
- Call 608-419-8519 or email [datcpcc@wisconsin.gov](mailto:datcpcc@wisconsin.gov)
- Application: <https://arcg.is/14Cuev0>

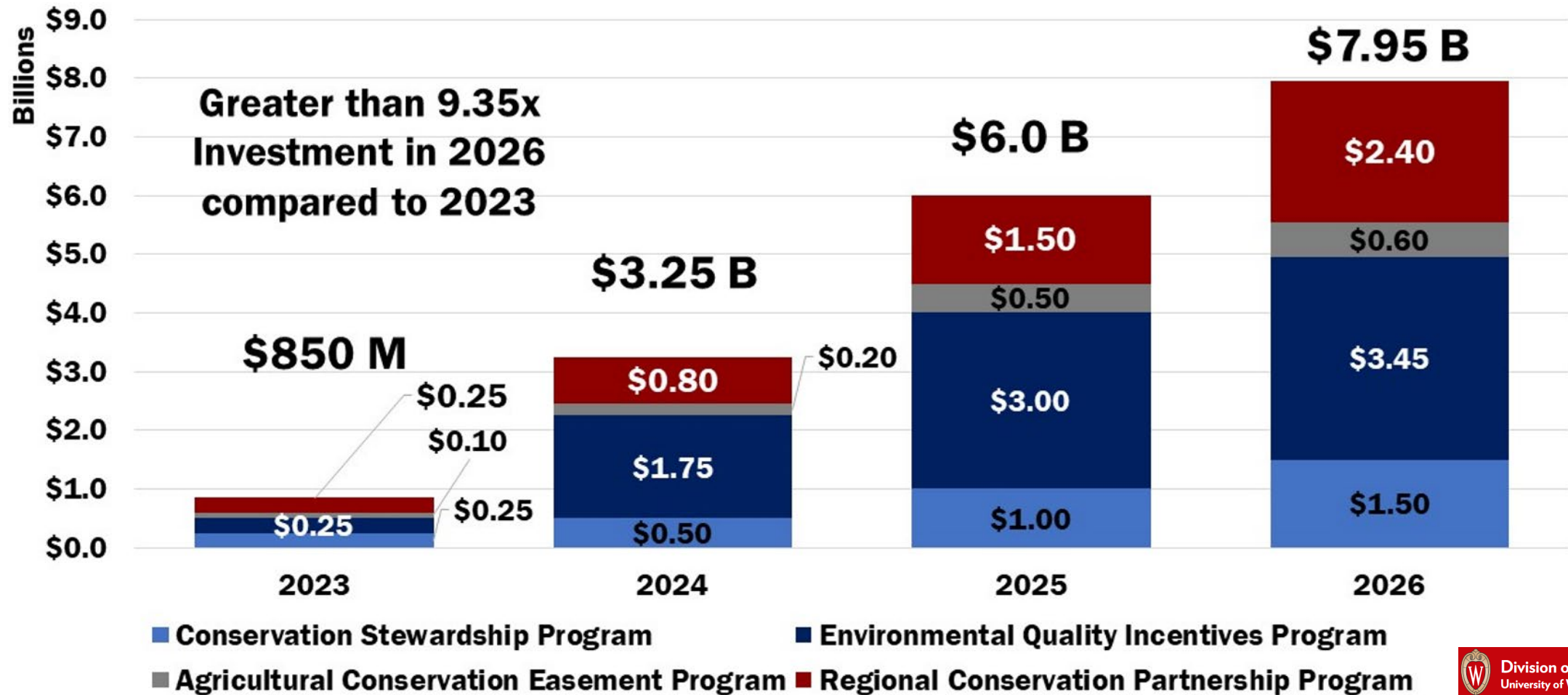


# Ag Policy Outside the Farm Bill

- Recent trend has been for Ag Policy outside of the Farm Bill
- Trump: Market Facilitation Program: \$14.5 Billion
- Covid: CFAP1+2: \$35 Billion, PPP: \$6 Billion
- Biden: Inflation Reduction Act: \$770 Billion
  - \$19.5 Billion for conservation programs
  - \$14 Billion for rural development, renewable energy & biofuel infrastructure
  - \$4 Billion drought mitigation in West
- Biden: Climate Smart Commodities Partnerships
  - \$3.1 Billion for 141 projects

# IRA Spending above 2018 Farm Bill Conservation Spending

\$18 Billion for Program Payments, plus \$1.4 Billion tech asst & admin



AMERICAN FARM BUREAU FEDERATION®

<https://www.fb.org/market-intel/whats-in-the-inflation-reduction-act-for-agriculture>

[www.fb.org](http://www.fb.org)

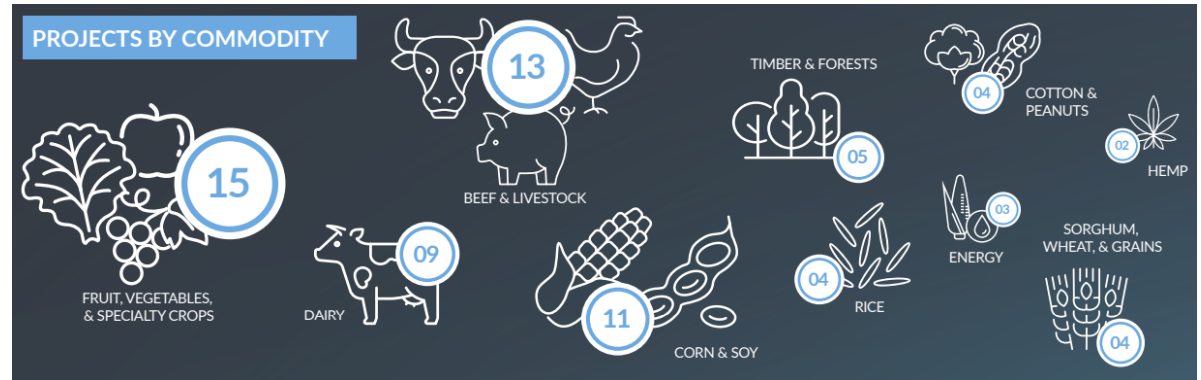
Source: Congressional Budget Office, HR 5376 EAS

# USDA Partnerships for Climate Smart Commodities

## \$2.8 Billion on 70 Projects

- Many centered in WI, many active here
- Edge Dairy Farmer Coop: \$50 M
- Organic Valley: \$25 M
- Carbon A List (Danone): \$70 M
- The DeLong Co: \$40 M
- ADM: \$90 M
- Farm Journal \$40 M
- Meridian Institute \$20 M
- Iowa Soybean Assoc: \$95 M
- National Assoc Conservation Dist: \$90 M
- National Fish & Wildlife Fndation: \$95 M

<https://www.usda.gov/climate-solutions/climate-smart-commodities/projects>



**SHARM EL-SHEIKH, EGYPT, Nov. 12, 2022** – At the 2022 United Nations Climate Change Conference (COP27) this week, Secretary of Agriculture Tom Vilsack highlighted the U.S. Department of Agriculture's initiatives and investments in climate-smart agriculture and forestry, noting that global food security depends upon the ability of farmers and producers worldwide to increase their productivity while strengthening their climate resilience and minimizing their climate impacts.

# Goals of Climate Smart Partnerships

Support the production and marketing of climate-smart commodities through a set of pilot projects that provide voluntary incentives through partners to producers and landowners, including early adopters, to:

- Implement climate-smart production practices, activities, and systems on working lands,
- Measure/quantify, monitor and verify the carbon and greenhouse gas (GHG) benefits associated with those practices, and
- Develop markets and promote the resulting climate-smart commodities
- Farmers should expect voluntary programs that pay them to adopt “climate smart practices” on their crop fields
- Rebranding: Climate Smart Agriculture = Regenerative Agriculture = Resiliency = Sustainability = BMP Adoption

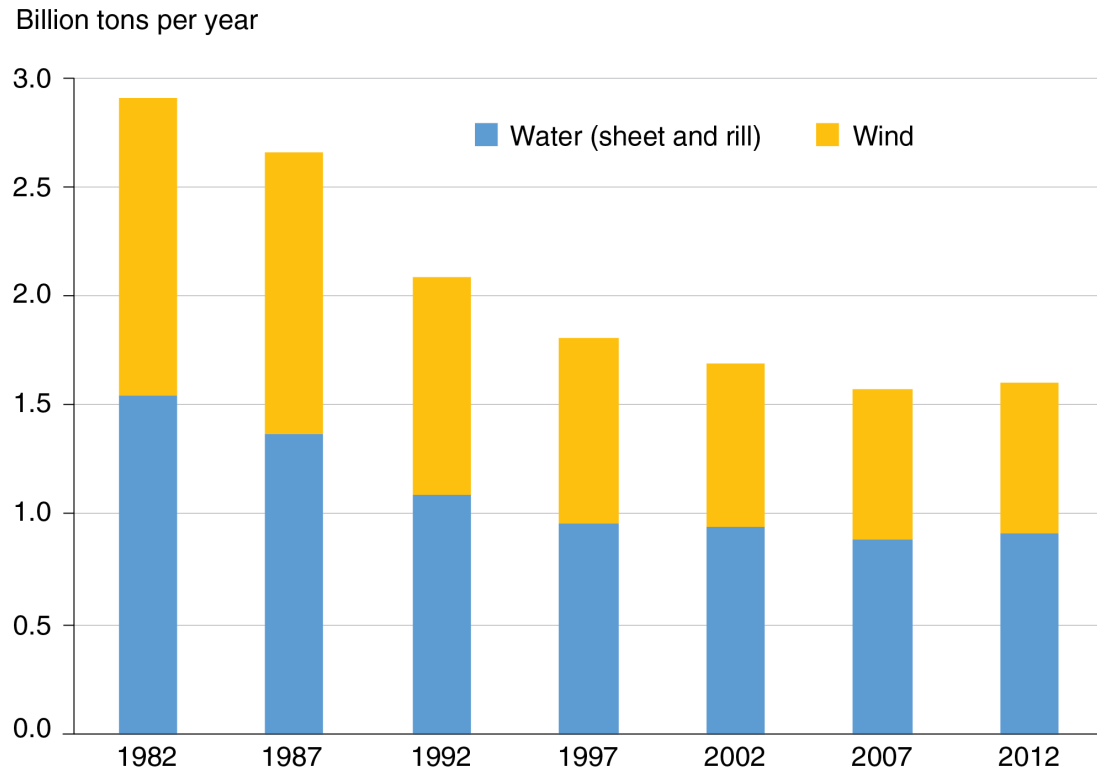
# 2023 Farm Bill: My Guess on What to Expect

- No major change in overall spending
- Tweaks to Commodity Support, Crop Insurance and Nutrition
  - Pressure to increase (Effective) Reference Prices and Loan Rates for commodity programs to reflect market realities and inflation
    - PPI +32% Dec 18 to Nov 22, what if increased PLC prices 32%
    - Corn: \$3.70 to \$4.88, Soybean: \$8.40 to \$11.09, Wheat \$5.50 to \$7.26
  - Demand for Food Banks and SNAP show food insecurity remains an issue
  - Possibly more use of Crop Insurance as policy tool for environmental goals
- Renewed Focus on Conservation Programs?
  - Increase program spending, reallocate among programs, or new programs
  - Inflation Reduction Act and Climate Smart partnerships: more to come?



# Soil Erosion from US Cropland: We have stalled!

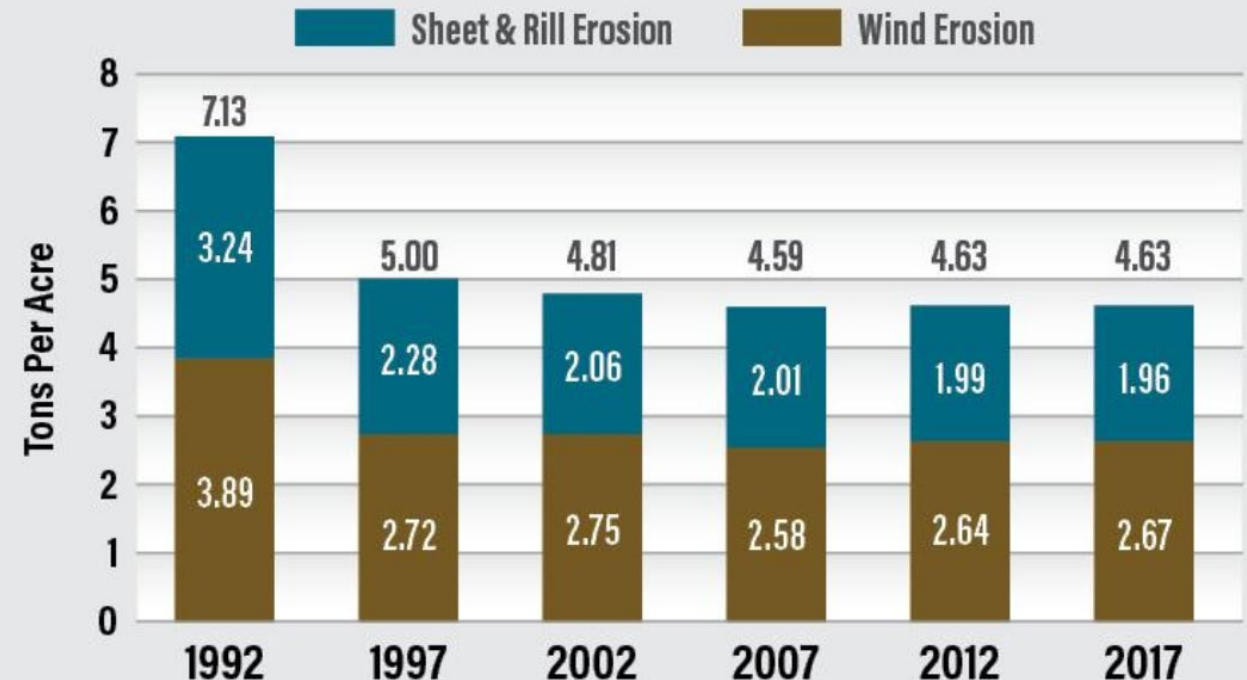
Soil erosion from water and wind on cultivated cropland, 1982–2012



Source: USDA, Economic Research Service using data from USDA, Natural Resources Conservation Service, National Resources Inventory.

<https://www.ers.usda.gov/data-products/charts-of-note/charts-of-note/?topicId=63d02a40-ccda-49ee-9799-76cbd1087e65>

EROSION RATE ON CROPLAND



Source: NRCS

*Cropland includes cultivated and non-cultivated cropland; Column totals may not exactly match sum over type due to rounding.*

<https://www.agweb.com/news/business/conservation/soil-erosion-trends-us>

# Summary

- Commodity support programs back to normal
  - ARC or PLC unlikely to pay for 2023. Choose ARC, PLC if want to buy SCO
- Buy SCO or ECO if want a high coverage, personal preferences, you decide
- Earliest plant date now April 15 and April 20 for soybeans in most of WI
- Double cropped soybeans (following another crop) insurable if have a history
- RP now available for oats in WI
- \$5/ac crop insurance premium rebate if planted cover crop in 2022, apply to DATCP by end of January
- Energizing conservation programs: payments for voluntary practice adoption on working lands, rebranding of BMP adoption as climate smart agriculture
- 2023 Farm Bill: No major spending change, tweaks to commodity support

# Questions? Comments?

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- Registration open (\$50)
- Livestream on YouTube (Free)
- <https://renk.aae.wisc.edu/2023-agricultural-outlook-forum/>
- Jeremy Beach [jpbearch@wisc.edu](mailto:jpbearch@wisc.edu)