The Role and Impact of Farm Bill Programs

Carl Zulauf, Professor Emeritus, Ohio State University
US Department of Agriculture
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US Agriculture’s Strategic Economic Environment

Real all crop price index, US, 1913-2022 crop years, 2018-2022 average = 100%

Trend increase in yield vs. yield increase needed to meet increase in trend consumption, feed grains, food grains, and oilseeds combined, World, 1982-2023

Trend increase in yield vs. yield increase needed to meet increase in trend consumption, feed grains, food grains, and oilseeds combined, US, 1982-2023

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Havested feed grain, food grain, and oilseed land (million hectares), World and US, 1981-2023

World
US

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Percent private market net return at harvest on economic cost, USDA cost of production crops combined, 1975-2022

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Cumulative private market net return at harvest on cumulative economic cost, USDA cost of production crops, 2007-2022

<table>
<thead>
<tr>
<th>Crop</th>
<th>Net Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>rice</td>
<td>16%</td>
</tr>
<tr>
<td>soybeans</td>
<td>13%</td>
</tr>
<tr>
<td>corn</td>
<td>7%</td>
</tr>
<tr>
<td>peanuts</td>
<td>-2%</td>
</tr>
<tr>
<td>wheat</td>
<td>-13%</td>
</tr>
<tr>
<td>seed cotton</td>
<td>-14%</td>
</tr>
<tr>
<td>barley</td>
<td>-17%</td>
</tr>
<tr>
<td>oats</td>
<td>-22%</td>
</tr>
<tr>
<td>sorghum</td>
<td>-25%</td>
</tr>
</tbody>
</table>

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Ratio of insured liabilities to cash receipts, US, 1989-2023

- **all**
- **crop**
- **animal and animal product**

Area add-up insurance include MP (Margin Insurance), SCO (Supplemental Coverage Option), ECO (Enhanced Coverage Option), and STAX (Stacked Income Protection Option).

**SOURCE:** farmdoc daily (14):16. January 24, 2024. [http://www.farmdoc.illinois.edu/](http://www.farmdoc.illinois.edu/)
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Government farm payments to farms excluding conservation and energy payments (billion $), US, 1975-2023

Summary, Questions, Implications, and Issues

The 22nd Century has, so far, seen a new normal in US crop profitability. US and world yields are not increasing fast enough to satisfy trendline growth in demand. Nevertheless, multiple years of low returns will exist (see 2014-18).

The US has an effective limit on cropland. Reasons include conservation compliance policy constraints and physical limits on convertible land at current market returns.

**Policy Questions:** “How should trade-offs be addressed between farming’s role in mitigating climate change and the need for more cropland?” “Is a ‘Star Wars’ research focus needed on multiple harvests per crop acre?”

**Policy Question:** “Given an effective cap on cropland, how should US export programs be designed so that the US, not other counties, capture the demand expansion created by US export programs?”
Policy Questions: “Given premium subsidies that average over 60%, has US field crop insurance become a payment program, especially in more risky production areas?” If payments are expected even if triggered by a risk event, they will be incorporated into business behavior, potentially reducing their risk management value. Thus, “Is the sizable ad hoc disaster assistance since 2018 an indication that a new 1-year farm resiliency policy is needed?”

Policy Questions: With demand growing faster than yields, upward pressure exists on farm costs and prices costs. “How should the ARC (Agriculture Risk Coverage) commodity program be redesigned to be a more effective multiple-year farm resiliency policy in the new normal?” “Should ARC and PLC (Price Loss Coverage) be merged into one multiple year, market responsive farm resiliency policy?”

HOPEFULLY, I GIVEN YOU FOOD FOR THOUGHT.
MY THANKS AND BEST WISHES.