Without improvements in 2018 Farm Bill proposals, Emergency Payments or a 2019 FB may be on the horizon

Over the last year US lawmakers have been saying that the 2018 Farm Bill would, at most, involve incremental change from the 2014 Farm Bill. While the House version contained some controversial provisions that have stalled passage there, for the version of the farm bill that was recently reported out of the Senate Agriculture Committee incremental change would be an overstatement.

When compared to the financial situation of those involved in production agriculture, particularly crop farmers, the changes are microscopic. Farmer suicides are up as are reports that the number of farmers who have been denied operating loans for the current crop year.

With a good start to the 2018 summer crop, trade disputes in the air, and little news suggesting that there is going to be more than a trend-line increase in crop utilization, the current low prices seem destined to continue for the foreseeable future.

From our perspective it doesn't make much sense to push a whole bunch of knowledgeable farmers of the land, while wiping out considerable equity. Maintaining a stable agricultural sector is in the best interests of the nation.

The last time we saw a situation like this was the autumn of 1997 and the spring of 1998. If the 2018 Farm Bill passes this year in something like its present form and low prices continue through the fall, we see two choices for Congress in the early days of 2019: Emergency Payments or the passage of a 2019 Farm Bill replacing of the 2018 Farm Bill four-and-one-half years early.

We assume that Emergency Payments would be an anathema for this administration and possibly Congressional leaders—depending upon election results—so the question becomes what are some incremental changes that could be made that would at least ameliorate the pain?

With most crop prices at or below the reference price for 4 of the last 5, the olympic average price that is used to calculate the ARC (Agricultural Risk Coverage) payment will be the reference price; it's the plug price. That would mean that only those counties with a 2018 yield decline will qualify for payments.

To put it in the simplest terms: the ARC was developed with the unquestioned assumption that prices would remain above the full cost of production in in most years and only occasionally dip below the reference price. Unless the supply-demand situation changes dramatically, even a tweaked ARC will be of little help to farmers.

For the Price Loss Coverage (PLC) program, raising the reference price would be a way to increase the size of the payment, but it would not do anything for those electing to participate in the ARC program beginning in the 2019 crop year. Even for those choosing the PLC, an increase in the reference price would only slow the financial bloodletting, not stop it.

Congress could also increase the percentage of acres covered under the PLC and that would help a little, but with the losses farmers have seen in recent years that might not be enough. Increasing the yield used to reflect trend-line yields and not historic yields would also generate higher PLC payments, but again that might not be enough.

Our last suggestion if one is limited to incremental change—as opposed to wholesale change—is to allow farmers to make their choice of programs each year at some point prior to planting time. At that time, they would know the price projections and the decision would be less risky than making that choice once every 5 years.

But, even the greatest tinkering with the current programs is not likely to keep a lot of farmers on the land even if prices plateau at the current level or continue their downward trend with minor hiccups.

And that brings us back to Emergency Payments.

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