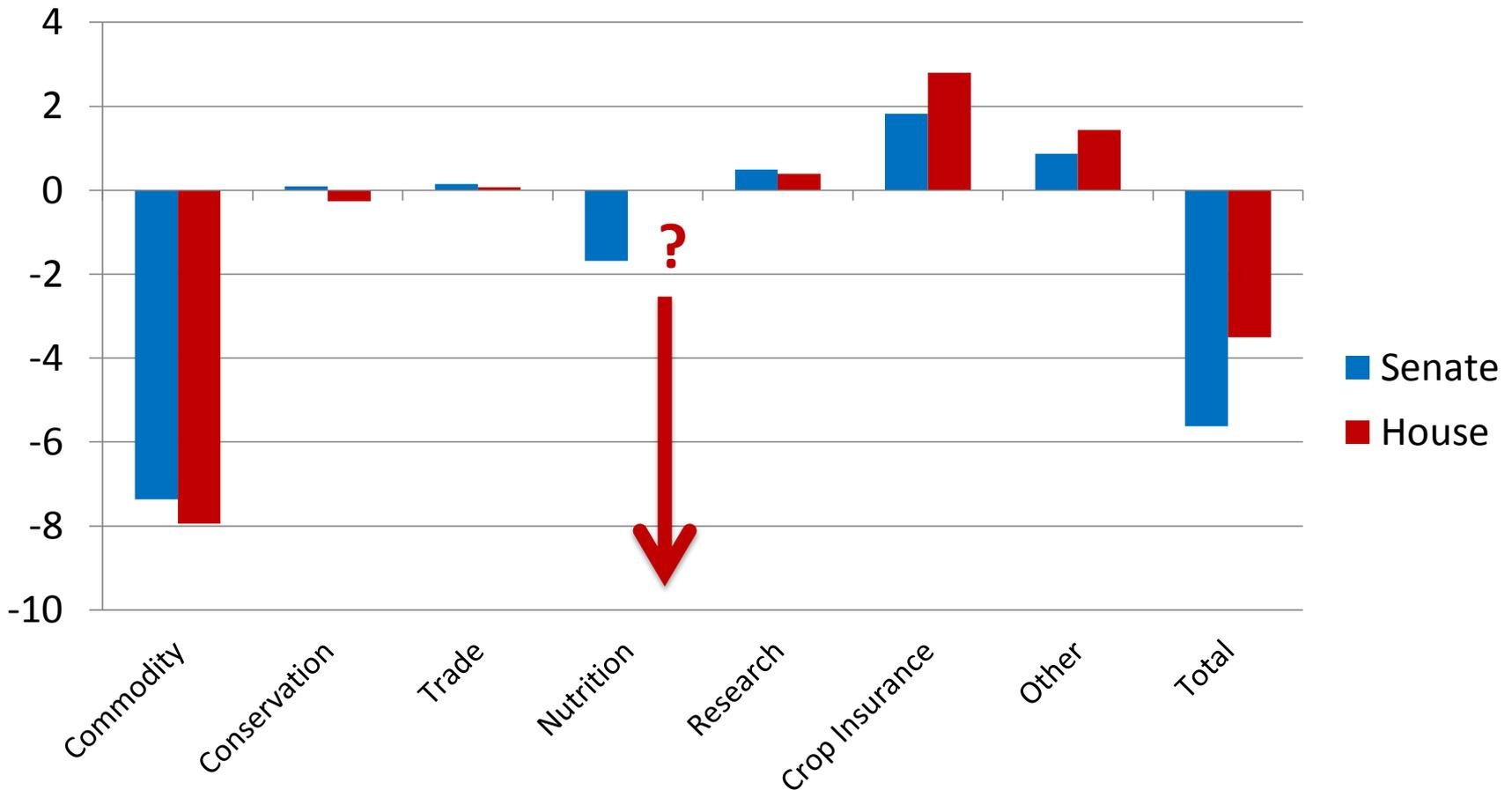


# **Analysis of House and Senate Farm Bills: Implications for Arkansas Producers**

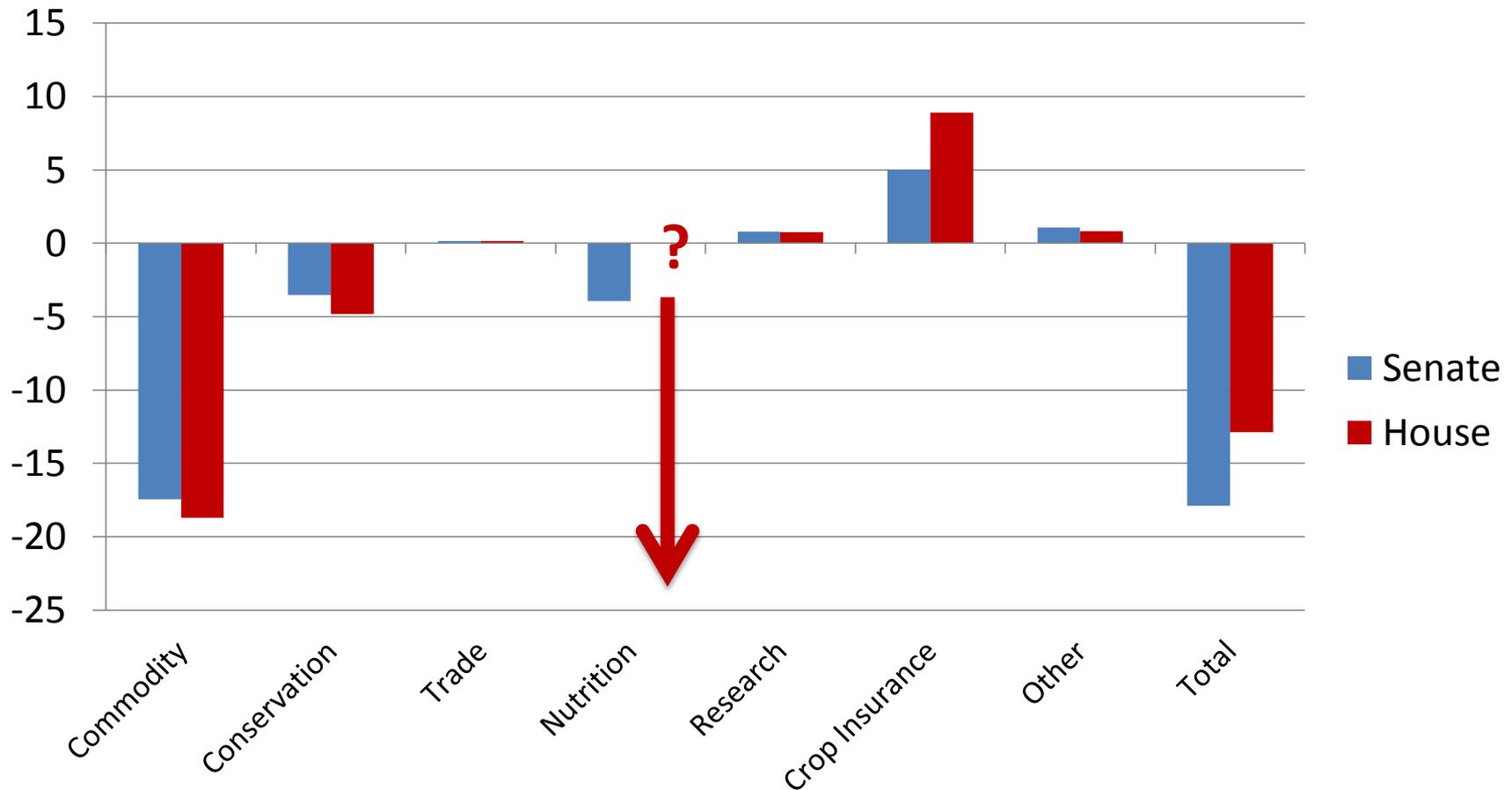
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August 2, 2013  
Arkansas Rice Expo

# Projected Changes in Program Spending by Title for the 2013 Farm Bill FY 2014-2018



Source: CBO Estimates, May17,2013 for S.954; July11,2013 for H.R.2642 against May,2013 Baseline

# Projected Changes in Program Spending by Title for the 2013 Farm Bill FY 2014-2023



Source: CBO Estimates, May17,2013 for S.954; July11,2013 for H.R.2642 against May,2013 Baseline

# Comparison: Senate and House FB Versions

Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)	House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)
<b>A. Price-Based Payments</b>	<b>A. Price-Based Payments</b>
<b>1. Adverse Market Payments (AMP)</b>	<b>1. Price Loss Coverage (PLC)</b>
<p><b>a. Payment Rate</b> The difference between the reference price and the <u>12-month national average market price</u> (or loan rate, if higher)</p>	<p><b>a. Payment Rate</b> The difference between reference price and <u>national midseason market price</u> (or loan rate , if higher)</p>
<p><b>b. Covered Commodities</b> Same as CCP's (except upland cotton which is eligible for STAX)</p>	<p><b>b. Covered Commodities</b> Same as CCP's (except upland cotton which is eligible for STAX)</p>

# Comparison: Senate and House FB Versions

Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)	House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)
<p><b>b. Reference Prices</b></p> <p>Long grain rice, cwt:           \$ 13.30</p> <p>Medium grain rice, cwt:       \$13.30</p> <p>Peanuts, ton:                   \$523.77</p> <p>All other covered commodities: 55% of the Olympic average national marketing year price for the most recent 5 crop years</p>	<p><b>b. Reference Prices</b></p> <p>Long grain rice, cwt:       \$14.00</p> <p>Medium grain rice, cwt: \$14.00 + 15% japonicas</p> <p>Wheat, bu:                   \$5.50</p> <p>Corn, bu:                     \$3.70</p> <p>Grain sorghum, bu:         \$3.95</p> <p>Barley, bu:                  \$4.95</p> <p>Oats, bu:                     \$2.40</p> <p>Soybeans, bu:               \$8.40</p> <p>Other oilseeds, cwt:       \$20.15</p> <p>Dry peas, cwt:              \$11.00</p> <p>Lentils, cwt:                \$19.97</p> <p>Small chickpeas, cwt:     \$19.04</p> <p>Large chickpeas, cwt:     \$21.54</p> <p>Peanuts, ton:               \$535.00</p>

# Comparison: Senate and House FB Versions

Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)	House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)
<p><b>d. Payment amount</b></p> <p>Payment rate*85% of <u>base acres planted to crop</u> * existing CCP program yield (for rice and peanuts, yields may be updated with 2009-2012 data; base acres for peanuts may be updated using 2009-2012 plantings).</p>	<p><b>d. Payment amount</b></p> <p>Payment rate*85% of <u>total acres planted to crop</u> (and 30% of "prevented plantings")*existing CCP program yield (or 90% of 2008-2012 average yield per planted acre). <u>Payment acres cannot exceed farm base acres.</u></p>
<p><b>e. Payment Limit</b></p> <p><u>\$50,000</u> per person or legal entity</p>	<p><b>e. Payment Limit</b></p> <p><u>\$125,000</u> per person or legal entity</p>

# Comparison: Senate and House FB Versions

Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)	House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)
<b>B. Revenue-Based Payments</b>	<b>B. Revenue-Based Payments</b>
<b>1. Agricultural Risk Coverage (ARC)</b>	<b>1. Revenue Loss Coverage (RLC)</b>
<p><b>a. Description</b>  <u>Payment is made in addition to AMP.</u> Producers make a one-time, irrevocable selection of either farm or county option--applicable to all acres under the operational control of the producers.</p>	<p><b>a. Description</b>  <u>An alternative to PLC.</u> Producers make a one-time, irrevocable election on a commodity-by-commodity and farm-by-farm basis to receive RLC payment instead of PLC. Similar to ARC but provides only a county revenue guarantee.</p>
<p><b>b. Covered Commodities</b>            Same as AMP</p>	<p><b>b. Covered Commodities</b>            Same as PLC</p>
<p><b>c. Payment Trigger – Shallow Loss</b>            Payments are made on planted (or prevented planting) acres when actual crop revenue (actual yield*higher of national farm price or reference price) drops below <u>88% of the benchmark revenue.</u></p>	<p><b>c. Payment Trigger – Shallow Loss</b>            Payments are made on planted (or prevented planting) acres when actual crop revenue (actual yield*higher of national farm price or PLC reference price) drops below <u>85% of the benchmark revenue.</u></p>

# Comparison: Senate and House FB Versions

Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)	House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)
<p><b>d. Payment Rate</b> Per acre payment rate = the difference between per acre guarantee (88%*benchmark revenue) and actual revenue; with maximum payment rate of 10% of benchmark revenue per acre.</p>	<p><b>d. Payment Rate</b> Payment is made on 85% of planted acres and 30% of prevented planting acres. For all crops, maximum payment rate of 10% of benchmark revenue per acre.</p>
<p><b>(1) Benchmark Revenue-Farm level:</b> 5-year farm yield*5-year Olympic average national price. Payment=difference between the per-acre guarantee and actual per-acre revenue*65% of eligible planted acres (and 45% of prevented plantings)</p>	<p><b>No farm option</b></p>
<p><b>(2) Benchmark Revenue-County level:</b> 5-year county yield*5-year Olympic average national price. Payment=difference between the per-acre guarantee and actual per-acre revenue*80% of eligible planted acres (and 45% of prevented plantings)</p>	<p><b>County Benchmark Revenue:</b> Most recent 5-year Olympic average county yield*most recent 5-year Olympic average national marketing year price.</p>

# Comparison: Senate and House FB Versions

## Senate-Passed 2013 Farm Bill (S. 954, June 10, 2013)

**e. Payment Limit:** \$50,000 per person or legal entity

**f. Adjusted Gross Income Limit:** eliminates farm and non-farm AGI limits, prohibits farm commodity program payments if total AGI is greater than \$750,000

### **g. Others**

- (1) Separate guarantees for irrigated and non-irrigated crops
- (2) Eligible program acres cannot exceed average total acres planted to covered commodities plus cotton during 2009-2012.

## House-Passed 2013 Farm Bill (H.R. 2642, July 11, 2013)

**e. Payment Limit:** \$125,000 per person or legal entity

**f. Adjusted Gross Income Limit:** eliminates farm and non-farm AGI limits, prohibits farm commodity program payments if total AGI is greater than \$950,000

### **g. Others**

- (1) Separate guarantees for irrigated and non-irrigated crops
- (2) Payment acres are capped at total farm base acres.

# Arkansas Representative Panel Farms

## Basis to assess alternative commodity payments

Name	ARHR3240	ARWR1400	ARHR3000	ARC7500
Location	Stuttgart	Wynne	Hoxie	McGehee
County	Arkansas	Cross	Lawrence	Desha
Acres - Owned	648	420	1,000	1,200
Acres - Crop Share Lease	1,552	490	1,500	5,985
Acres - Cash Lease	1,040	490	500	315
<b>Total Acres</b>	<b>3,240</b>	<b>1,400</b>	<b>3,000</b>	<b>7,500</b>
Rice	1,620	700	1,450	1,875
Long-Grain	1,620	700	1,300	1,875
Medium-Grain	0	0	150	0
Soybeans	1,296	700	1,250	1,625
Cotton	0	0	0	1,500
Corn	0	0	300	1,500
Wheat	324	0	0	1,000

## Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Crop, Stuttgart Farm, averages for 2014-2018\*.

Rep Farm	Stuttgart					
	LG Rice		Irr Soy		Wheat	
Program/Crop						
PLC	78%	\$ 75	5%	\$ 1	14%	\$ 9
RLC	9%	\$ 4	11%	\$ 5	14%	\$ 4
AMP	63%	\$ 51	0%	\$ 0	0%	\$ 0
ARC-County	7%	\$ 2	17%	\$ 7	16%	\$ 4
ARC-Farm	11%	\$ 2	20%	\$ 6	19%	\$ 4

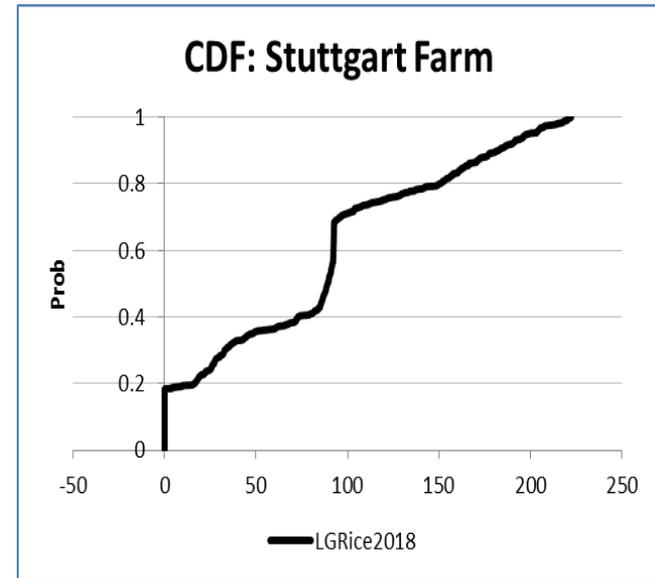
- 2 House bill options (PLC & RLC) and 3 Senate bill options (AMP, ARC-C and ARC-F) are analyzed.
- For each crop, the % probability of a payment > 0 is given with the expected average payment per acre for each program.
- For example, the Stuttgart farm has an average probability over the 2014-18 period of receiving a PLC payment 78% of the time. 22% of the time there will be no payment as price > \$14, the PLC reference price.

- See next slide for example of the annual estimates for LG Rice under the PLC program.

# Example: PLC 5-year simulation\* for Stuttgart farm – Long grain rice

## Payments/Planted Acre: Stuttgart

Variable	2014	2015	2016	2017	2018
Mean	\$61.34	\$68.14	\$76.16	\$83.19	\$83.22
StDev	\$58.34	\$60.47	\$62.40	\$64.05	\$64.05
CV	95.10	88.74	81.94	76.99	76.97
Min	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Max	\$198.40	\$206.24	\$214.85	\$222.23	\$222.26
Payment Prob>0	71%	77%	80%	81%	81%



- Annual simulation results for 2014-2018 shows the average (mean), standard deviation (StDev), Coefficient of Variation (CV=StDev/Mean), minimum payment per acre (Min), and maximum payment per acre (Max), and probability that payment will be greater than zero \$/acre.
- CDF (cumulative distribution function) shows in 2018 payment of zero has probability of 19% and payment > \$0 is 81%, with maximum at very low probability of \$222.26 per acre.
- \* 500 simulations per year for yields and prices, using May 2013, CBO baseline prices.

## **Long Grain Rice: Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Farm (2014-2018)**

<b>Program/Farm</b>	<b>Stuttgart</b>		<b>Wynne</b>		<b>Hoxie</b>		<b>McGehee</b>	
PLC	78%	\$ 75	78%	\$ 67	78%	\$ 65	78%	\$ 69
RLC	9%	\$ 4	7%	\$ 3	16%	\$ 5	6%	\$ 2
AMP	63%	\$ 51	63%	\$ 43	63%	\$ 37	63%	\$ 44
ARC-County	7%	\$ 2	5%	\$ 2	14%	\$ 4	5%	\$ 1
ARC-Farm	11%	\$ 2	13%	\$ 4	11%	\$ 3	15%	\$ 4

**Irrigated Soybeans: Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Farm (2014-2018)**

Program/Farm	Stuttgart		Wynne		Hoxie		McGehee	
PLC	5%	\$ 1	5%	\$ 1	5%	\$ 1	5%	\$ 1
RLC	11%	\$ 5	12%	\$ 4	12%	\$ 3	8%	\$ 4
AMP	0%	\$-	0%	\$-	0%	\$-	0%	\$-
ARC-County	17%	\$ 7	19%	\$ 6	17%	\$ 5	12%	\$ 6
ARC-Farm	20%	\$ 6	20%	\$ 6	34%	\$ 6	22%	\$ 7

**Non-irrigated Soybeans: Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Farm (2014-2018)**

<b>Program/Farm</b>	<b>Wynne</b>		<b>Hoxie</b>	
PLC	5%	\$ -	5%	\$ 1
RLC	18%	\$ 5	43%	\$ 7
AMP	0%	\$ -	0%	\$ -
ARC-County	22%	\$ 6	34%	\$ 2
ARC-Farm	43%	\$ 8	39%	\$ 10

**Wheat: Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Farm (2014-2018)**

<b>Program/Farm</b>	<b>Stuttgart</b>		<b>McGehee</b>	
PLC	14%	\$ 9	40%	\$ 8
RLC	14%	\$ 4	8%	\$ 2
AMP	0%	\$-	0%	\$-
ARC-County	16%	\$ 4	9%	\$ 2
ARC-Farm	19%	\$ 4	23%	\$ 4

**Corn: Summary of Probabilities of Receiving Payments and Weighted Annual Probable Payments per Acre by Program by Farm (2014-2018)**

<b>Program/Farm</b>	<b>Hoxie</b>		<b>McGehee</b>	
PLC	10%	\$ 3	0%	\$ -
RLC	3%	\$ 2	5%	\$ 5
AMP	0%	\$ -	0%	\$ -
ARC-County	4%	\$ 18	7%	\$ 6
ARC-Farm	23%	\$ 15	24%	\$ 11

# Probability of Farms Hitting Payment Limits for Alternative Programs

Farm/Program	PLC		RLC		AMP+ARC-C		AMP+ARC-F	
	No.*	Prob.**	No.	Prob.	No.	Prob.	No.	Prob.
Stuttgart	45	9.1%	0	0.0%	127	25.4%	127	25.5%
Wynne	0	0.0%	0	0.0%	23	4.6%	33	6.6%
Hoxie	0	0.0%	0	0.0%	111	22.3%	120	23.9%
McGehee	68	13.6%	0.4	0.1%	161	32.2%	208	41.6%

Assumptions: Each farm has a total of two legal entities.

H.R. 2642 payment limit is \$125,000 per entity. PLC (Price loss coverage) and RLC (Revenue loss coverage)

S. 954 payment limit is \$50,000 per entity. AMP (Adverse Market Price) and ARC (Agriculture Risk Coverage) -C (county) and -F (farm)

\* Average of number of times per 500 iterations per year, 2014-2018 that payment limit is reached.

\*\* Average probability of reaching the payment limit per year, 2014-2018.

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