

Domestic Policy Outlook

Dr. Bart Fischer
Co-Director & AgriLife Assistant Professor
Agricultural & Food Policy Center (AFPC)

2022 Southern Outlook Conference
Southern Extension Economics Committee
Atlanta, GA
September 20, 2022

Presentation Outline

- Livestock Policy
- Inflation Reduction Act of 2022
- Continuing Resolution & Omnibus
- Next Farm Bill
- Questions...

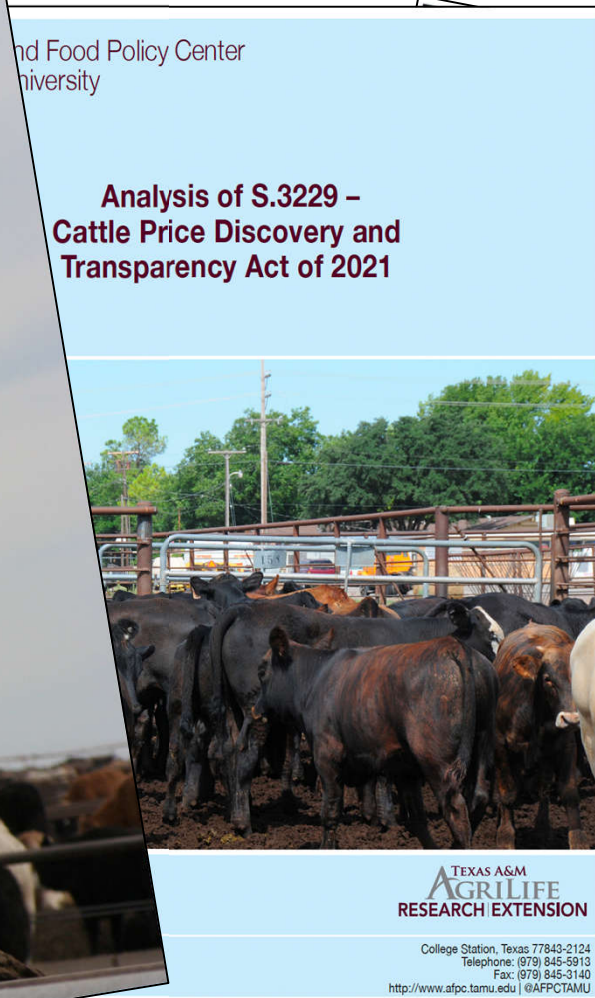
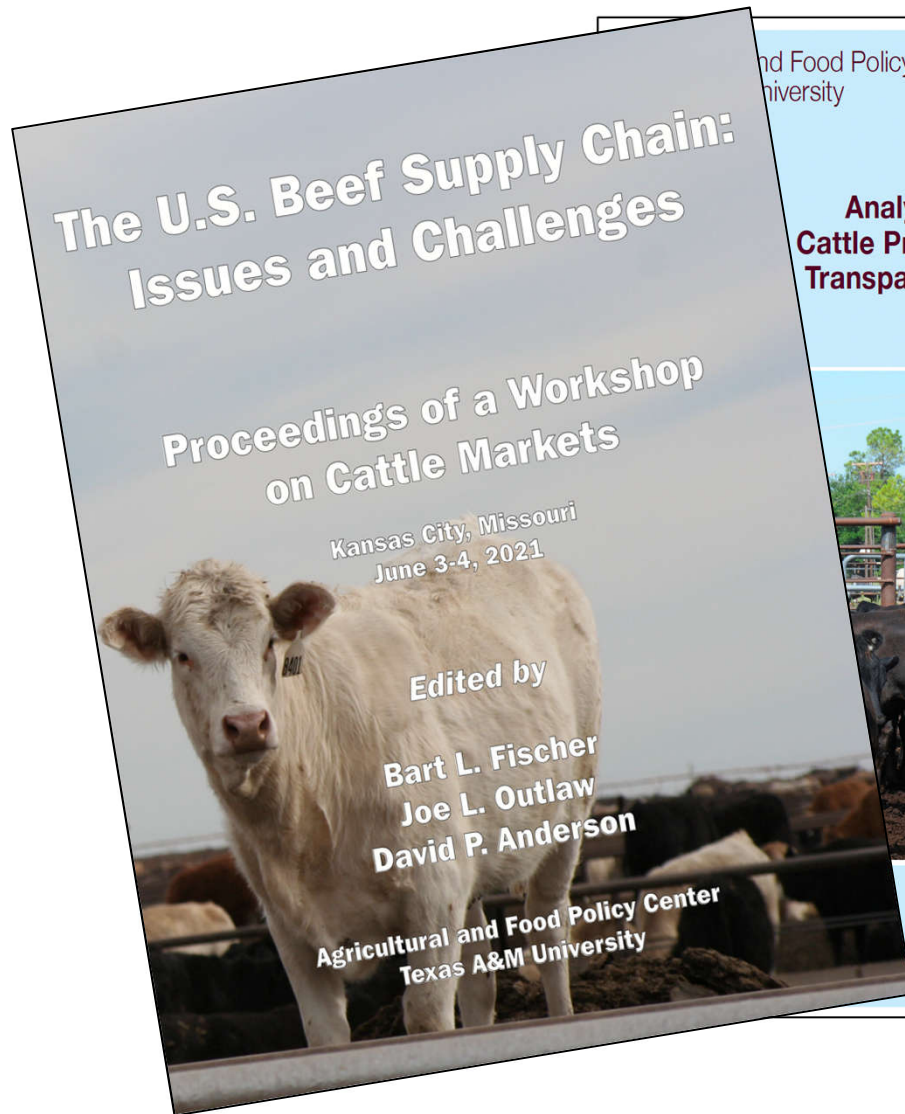


Livestock Policy

Key Policy Developments

- The last long-term reauthorization of the Livestock Mandatory Reporting Act of 1999 was on 9/30/2015 (P.L. 114-54) and expired on 9/30/2020.
- LMR has been temporarily reauthorized since then in continuing resolutions and omnibus spending bills (with the FY2022 Omnibus authorizing LMR through 9/30/2022).
- Several proposals have been offered by industry and policymakers. Following are the most recent AFPC was asked to address:
 - S.3229 – Cattle Price Discovery and Transparency Act of 2021 (Grassley/Fischer/Tester/Wyden).
 - S. 4030 – Cattle Price Discovery and Transparency Act of 2022 (Fischer/Grassley/Tester/Wyden).
- The Grassley/Fischer proposal was hot-lined in the Senate, but it appears to be on hold with a very uncertain future.

Cattle Market Analysis



Analysis of H.R. 8590

Small Family Farmers and Ranchers Relief Act

Section 3: Additional Premium Assistance...Livestock Risk Protection...

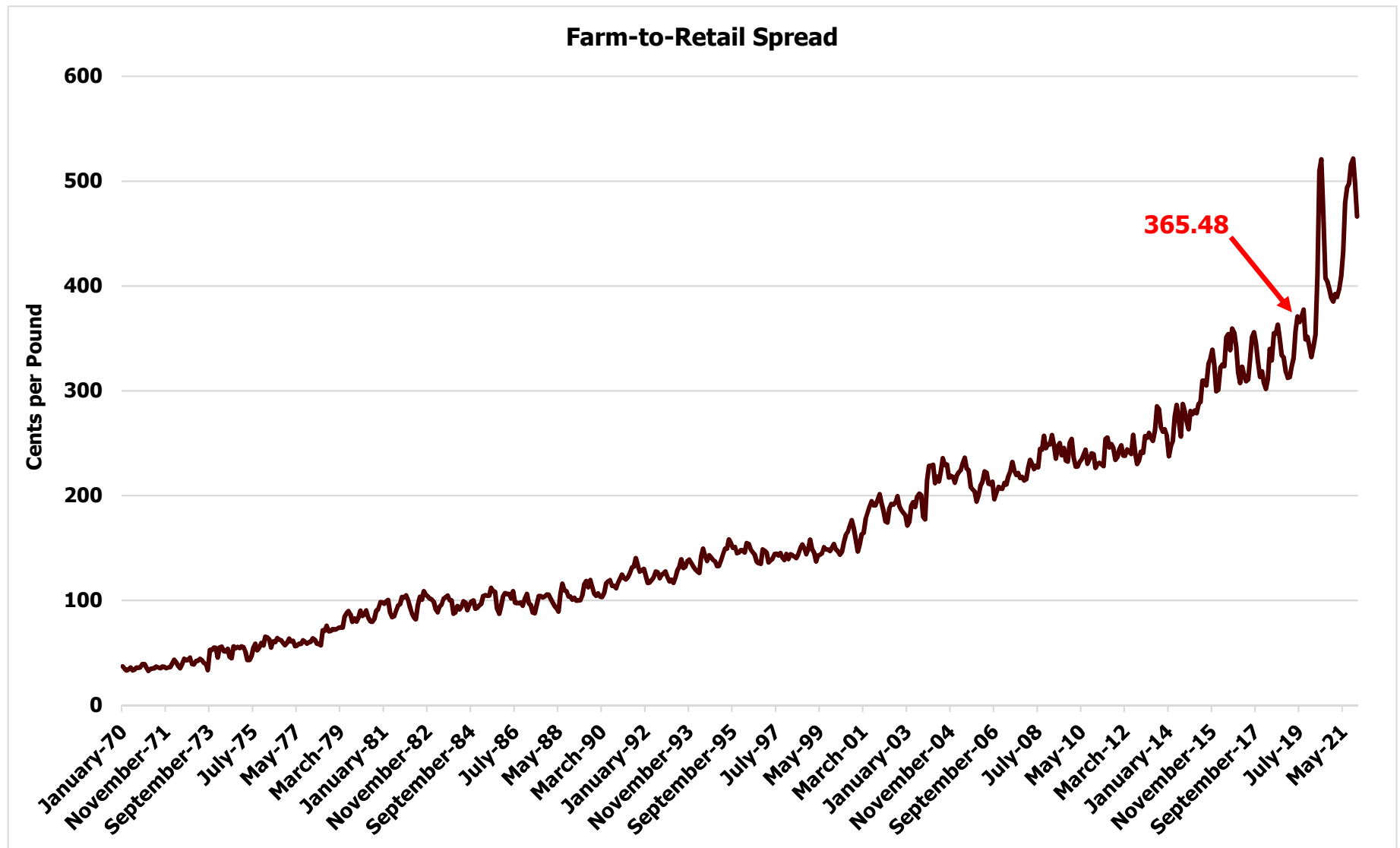
Section 4: Beef Cattle Spread Coverage Program

- Payment Trigger: farmer's share of retail dollar <51.7%
- Payment Formula: Rate x Weight x Head
 - Rate: difference between the 80th percentile of the 10-year historical average spread and the current spread. *80th percentile is 365.48 cents in supporting documents.*
 - Weight: text silent ("per animal basis"). *Supporting documents suggest 888 lb. dressed weight.*
 - Head: up to 100 head of cattle sold in a calendar year (must have owned for at least 60 days).
- Administrative fee: \$100 (waived for limited resource farmers, beginning farmers, veteran farmers, or socially-disadvantaged farmers)

Section 5: Small Rancher Market Access

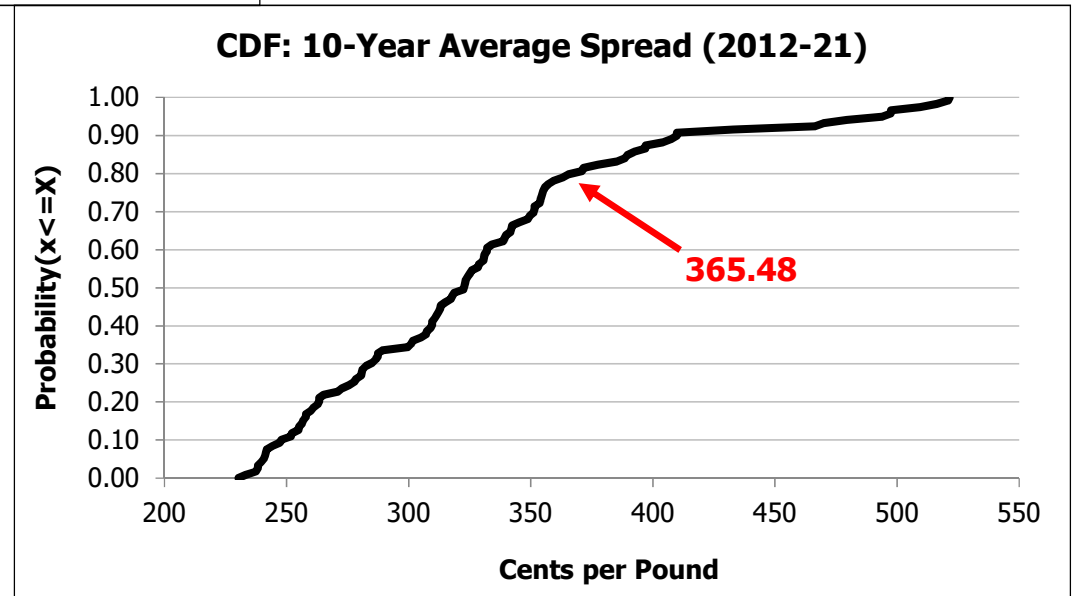
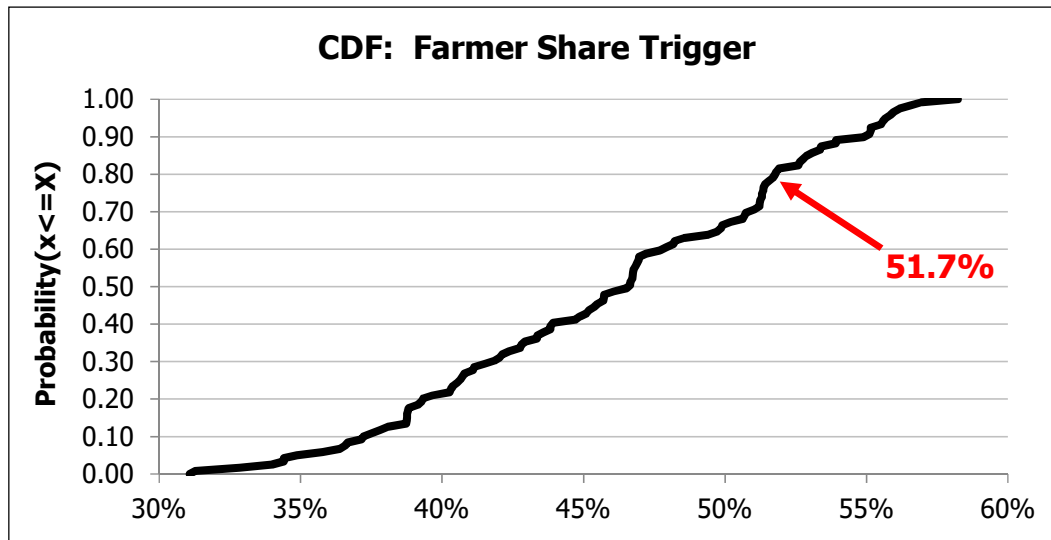
Analysis of H.R. 8590

Beef Cattle Spread Coverage Program



Analysis of H.R. 8590

Beef Cattle Spread Coverage Program



Analysis of H.R. 8590

Beef Cattle Spread Coverage Program

Month	Farm-to-Retail Spread	<51.7%?	10-Year Average Spread	Payment (\$/lb)	Payment (\$/hd)
January-20	\$3.32	Yes	\$3.6548	\$0.00	\$0
February-20	\$3.42	Yes	\$3.6548	\$0.00	\$0
March-20	\$3.54	Yes	\$3.6548	\$0.00	\$0
April-20	\$4.10	Yes	\$3.6548	\$0.44	\$395
May-20	\$5.09	Yes	\$3.6548	\$1.44	\$1,278
June-20	\$5.21	Yes	\$3.6548	\$1.55	\$1,380
July-20	\$4.70	Yes	\$3.6548	\$1.04	\$928
August-20	\$4.08	Yes	\$3.6548	\$0.42	\$374
September-20	\$4.04	Yes	\$3.6548	\$0.39	\$343
October-20	\$3.97	Yes	\$3.6548	\$0.31	\$280
November-20	\$3.88	Yes	\$3.6548	\$0.23	\$204
December-20	\$3.85	Yes	\$3.6548	\$0.20	\$175
January-21	\$3.92	Yes	\$3.6548	\$0.27	\$238
February-21	\$3.90	Yes	\$3.6548	\$0.24	\$213
March-21	\$3.97	Yes	\$3.6548	\$0.31	\$279
April-21	\$4.10	Yes	\$3.6548	\$0.44	\$393
May-21	\$4.33	Yes	\$3.6548	\$0.67	\$599
June-21	\$4.79	Yes	\$3.6548	\$1.14	\$1,012
July-21	\$4.94	Yes	\$3.6548	\$1.28	\$1,139
August-21	\$4.98	Yes	\$3.6548	\$1.32	\$1,173
September-21	\$5.16	Yes	\$3.6548	\$1.51	\$1,339
October-21	\$5.22	Yes	\$3.6548	\$1.56	\$1,386
November-21	\$4.97	Yes	\$3.6548	\$1.32	\$1,171
December-21	\$4.66	Yes	\$3.6548	\$1.01	\$895

Analysis of H.R. 8590

Takeaways


- Focus on producers selling no more than 100 head penalizes mid-size operations.
- The 51.7% trigger—at the 80th percentile—would have triggered, by definition, in 80% of the 120 months from 2012-21.
- However, because the 10-year average spread is also set at the 80th percentile, a non-zero payment would have occurred in only 20% of the 120 months from 2012-21. So then, what is the point of the 51.7% trigger?
- Why the 80th percentile? Arguably that is where the data breaks, but a more natural break is at the 90th percentile (410 cents). Regardless, how does this equate with producer “losses”?
- Market response? The 100-head limitation may somewhat mute the response, but current payment rates are a massive production incentive.
- Given the history of the farm-to-retail spread, will payments likely persist into the future and grow to astronomical levels?
- It’s not at all clear who receives the payment. Is it the cow/calf producer or is the payment distributed throughout the value chain (i.e., stocker producer, feeder, wholesaler, etc)?
- Will the committee ultimately require a farm-level loss? In the current draft, a beef cattle spread coverage payment can be made even if feeder cattle prices are at record highs.

Inflation Reduction Act of 2022

Inflation Reduction Act of 2022

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Latest Publications

- [The Inflation Reduction Act of 2022: What's in it for Agricultural Producers?](#) ←
- [Economic Impact of the U.S. Sugar Industry](#)
- [Representative Farms Economic Outlook for the January 2022 FAPRI/AFPC Baseline](#)
- [Economic Impact of Higher Crop and Input Prices on AFPC's Representative Crop Farms](#)
- [Analysis of S. 4030 – Cattle Price Discovery and Transparency Act of 2022](#)
- [Representative Farms Economic Outlook for the January 2022 FAPRI/AFPC Baseline](#)
- [Impact of Higher Input Costs on the U.S. Rice Industry](#)
- [Analysis of S.3229 – Cattle Price Discovery and Transparency Act of 2021](#)
- [Economic Impact of Higher Fertilizer Prices on AFPC's Representative Crop Farms](#)
- [Overview of the Dual Use Crop Insurance Policy for Forage Producers](#)
- [Economic Impacts of the Sensible Taxation and Equity Promotion Act and the For the 99.5 Percent Act on AFPC's Representative Farms and Ranches](#)

Relevant Publications

- [Working Paper: Representative Farms Economic Outlook for the Preliminary 2021 FAPRI/AFPC Baseline](#)
- [Briefing Paper: Representative Farms Economic Outlook for the Preliminary 2021 FAPRI/AFPC Baseline](#)
- [Working Paper: Representative Farms Economic Outlook for the August 2020 FAPRI/AFPC Baseline](#)
- [Briefing Paper: Representative Farms Economic Outlook for the August 2020 FAPRI/AFPC Baseline Update](#)
- [Briefing Paper: Representative Farms Economic Outlook for the June 2020 FAPRI/AFPC Baseline](#)
- [Working Paper: Representative Farms Economic Outlook for the June 2020 FAPRI/AFPC Baseline](#)
- [Overview of the Coronavirus Food Assistance Program \(CFAP\)](#)
- [COVID-19 Impact on Texas Production Agriculture](#)
- [Initial COVID-19 Response for Agricultural Producers](#)
- [Overview of Trade Aid and Its Impact on AFPC's Representative Farms](#)

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Texas A&M University

August 2022

The Inflation Reduction Act of 2022: What's in it for Agricultural Producers?



AFPC

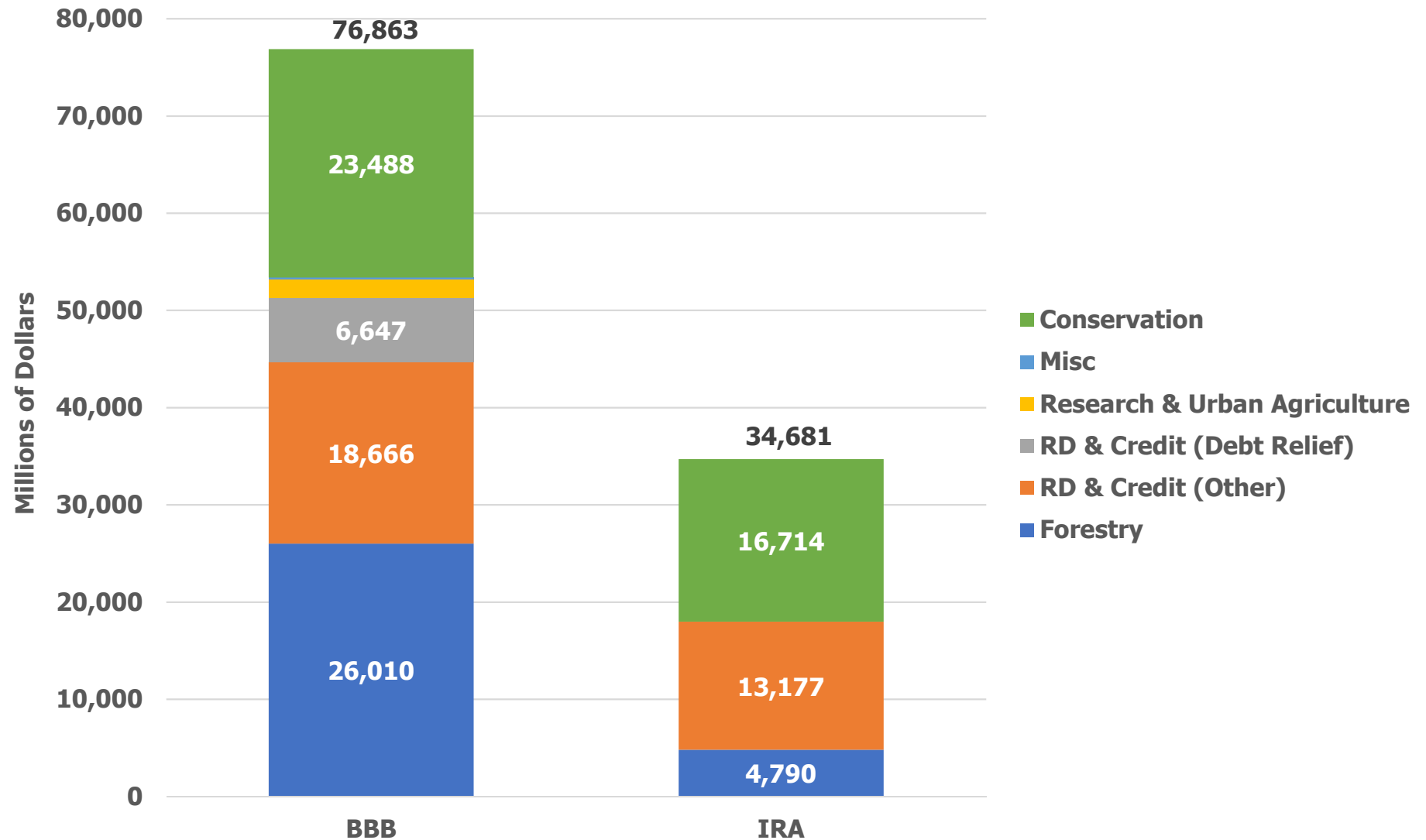
Department of Agricultural Economics
Texas AgriLife Research
Texas AgriLife Extension Service
Texas A&M University

TEXAS A&M
AGRI LIFE
RESEARCH | EXTENSION

College Station, Texas 77843-2124
Telephone: (979) 845-5913
Fax: (979) 845-3140
<http://www.afpc.tamu.edu> | @AFPC TAMU

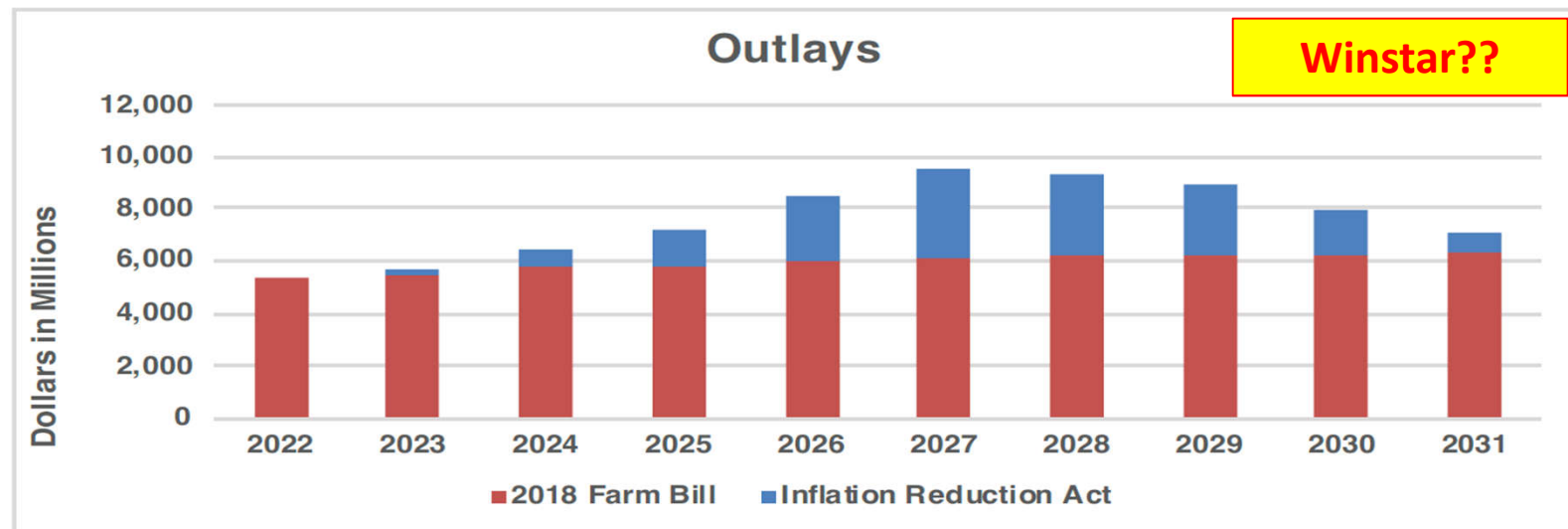
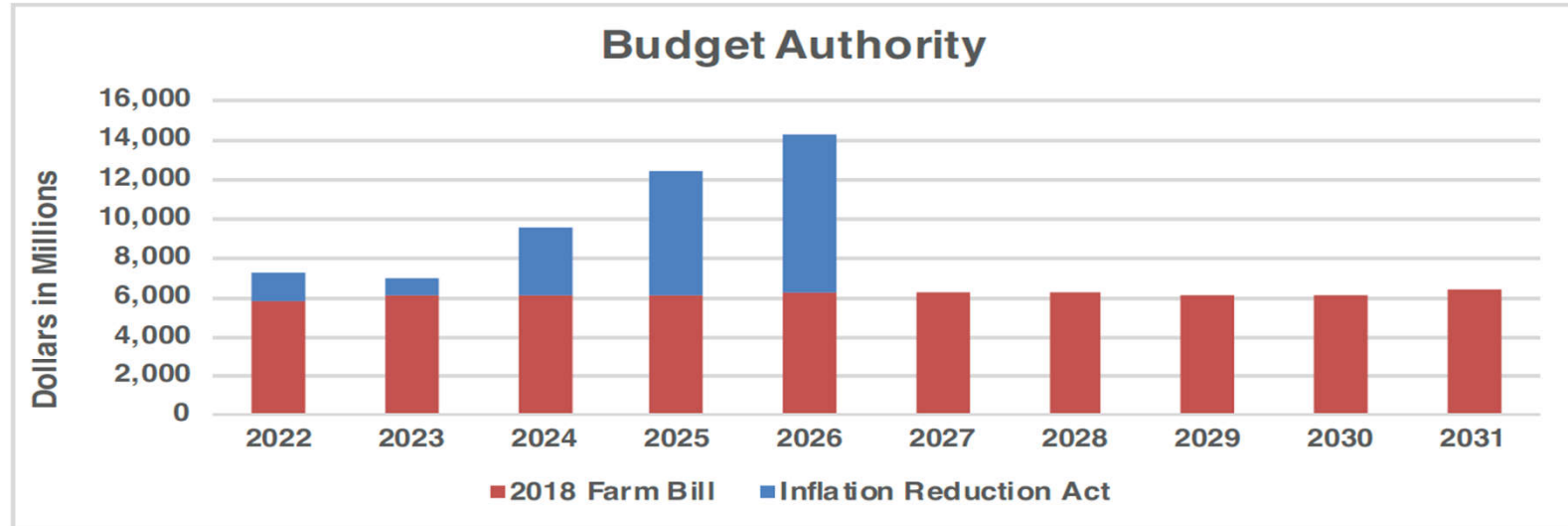
CBO: BBB vs IRA

Agriculture Titles (FY2022-31, Million\$)



Inflation Reduction Act Baseline?

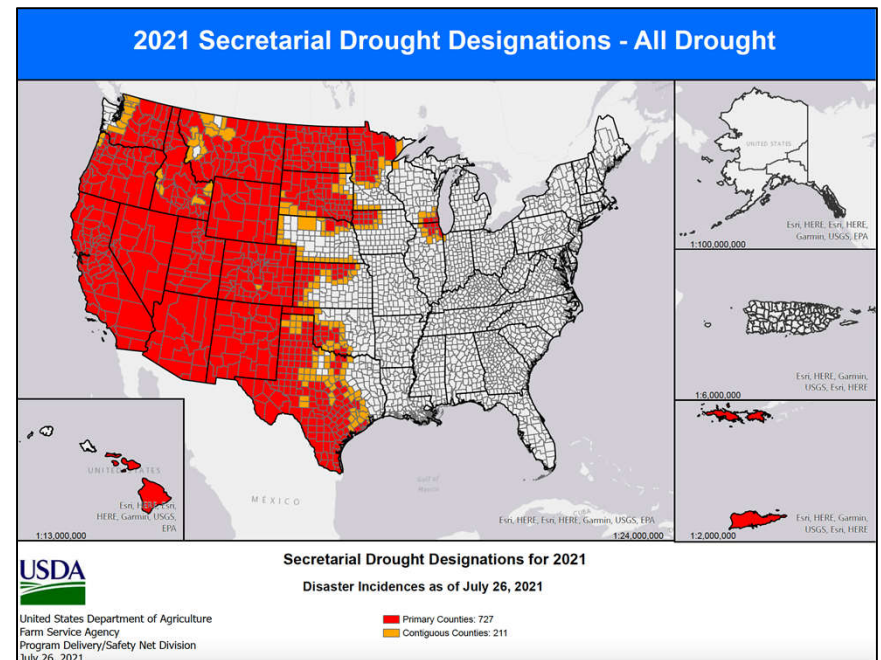
Conservation Programs



Continuing Resolution & Omnibus

WHIP+ / ERP

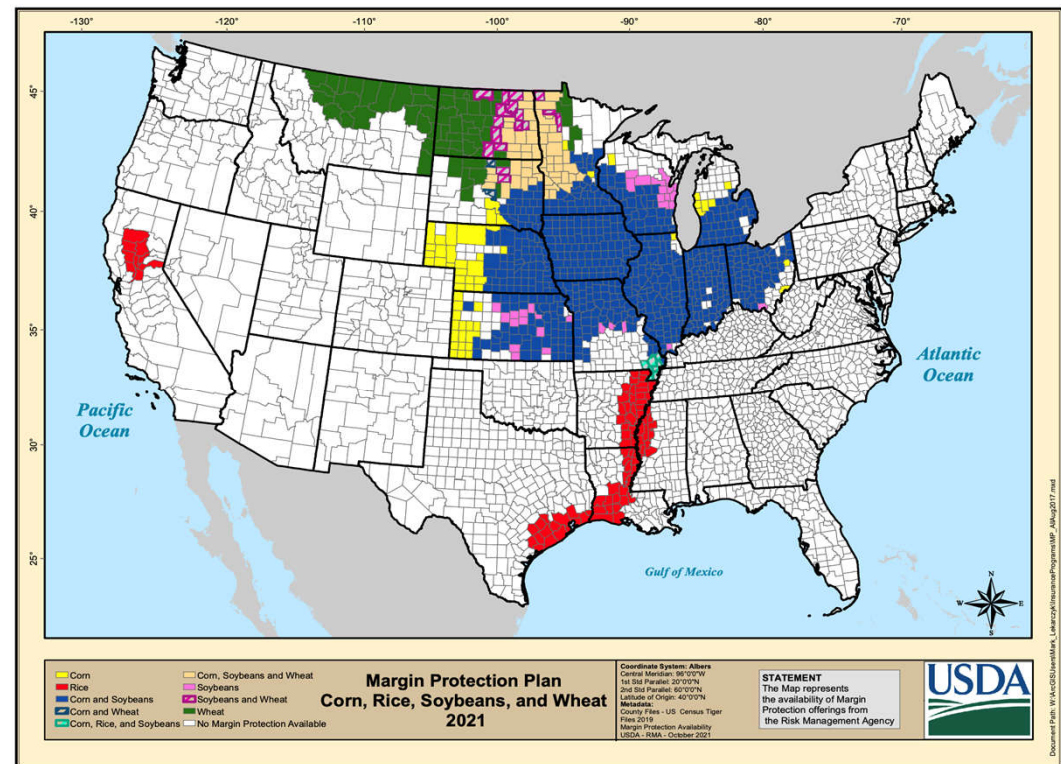
- WHIP & WHIP+ were administrative nightmares.
- \$10 billion infusion for 2020 and 2021 losses in last year's continuing resolution (CR) led to creation of the Emergency Relief Program (ERP) at USDA.
- Administrative streamlining with ERP is a VAST improvement over WHIP.
- Backing out crop insurance net indemnities (rather than indemnities) another key improvement.
- Will Congress authorize disaster aid for a 6th year to cover 2022 losses?
Administration sent up \$1.5 million CR request. Likely punted to lame duck omnibus. What else in omnibus? Permanent disaster?



Margin Coverage?

- Omnibus or Farm Bill?
- Farm Service Agency (FSA) vs Risk Management Agency (RMA)?

Crop	Select State and County Availability
Rice	Arkansas, California, Louisiana, Mississippi, Missouri, and Texas
Corn and Soybeans	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin
Wheat	Minnesota, Montana, North Dakota, and South Dakota (spring wheat (type 012)) only



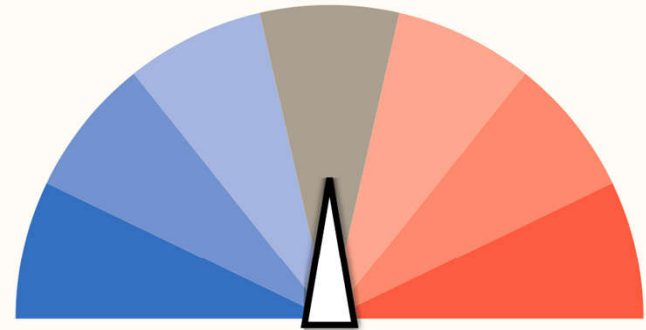
Source: USDA, Risk Management Agency, MP County Availability Map for 2021.

Next Farm Bill

November Surprise?

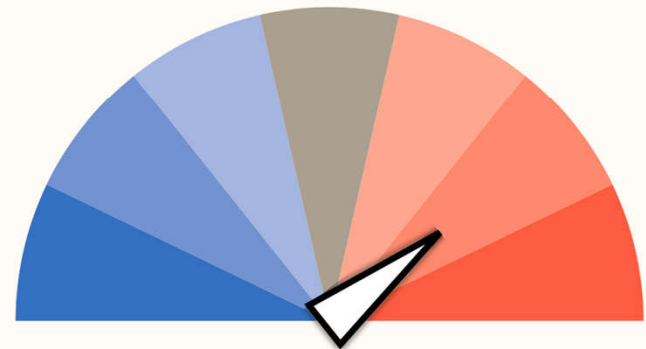
THE SENATE

**Remains a
Toss-Up**



THE HOUSE

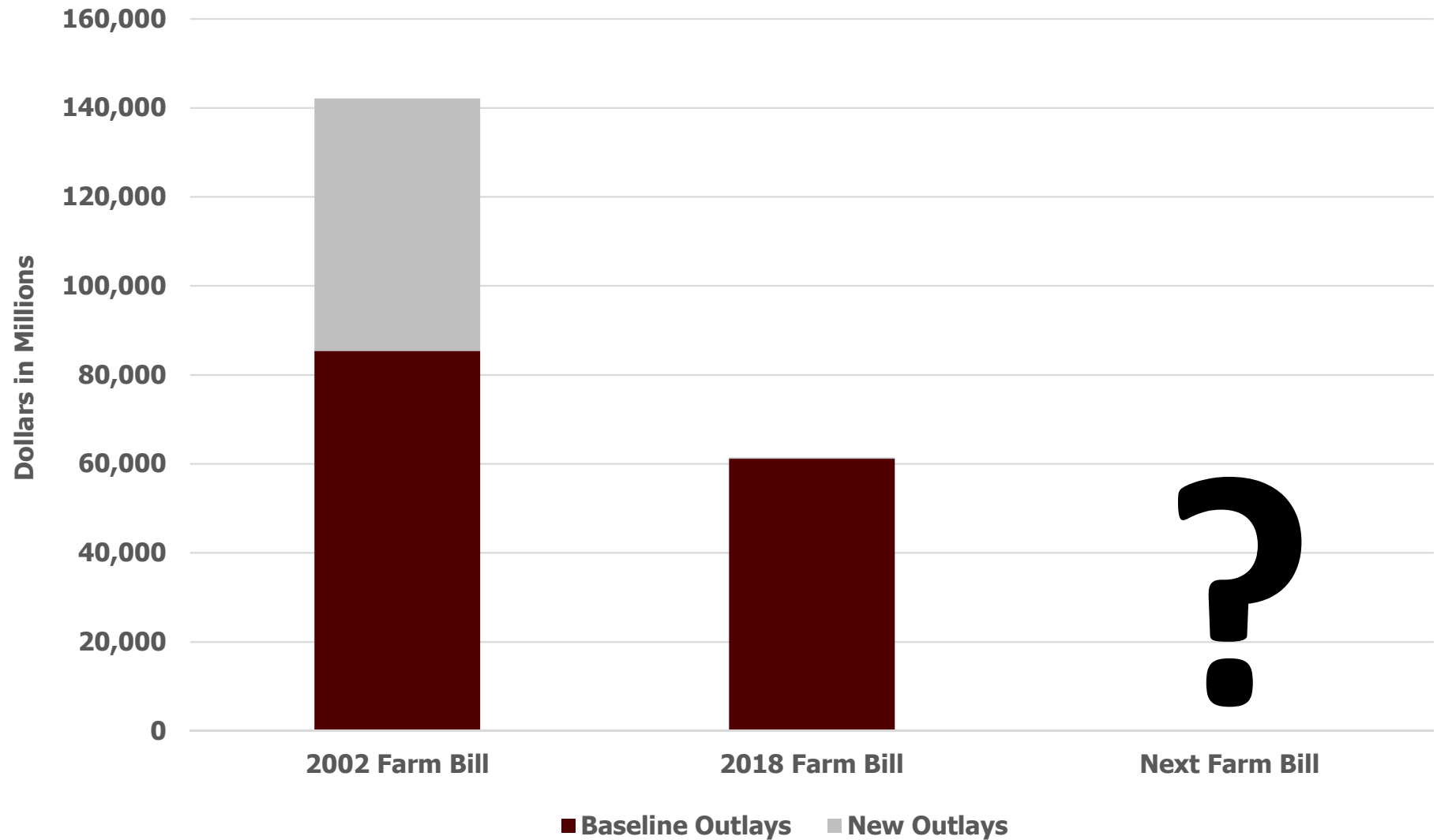
**Likely
Republican**



Source: <https://www.politico.com/2022-election/race-forecasts-ratings-and-predictions/> (September 19, 2022)

Commodity Title Outlays

2002 vs 2018

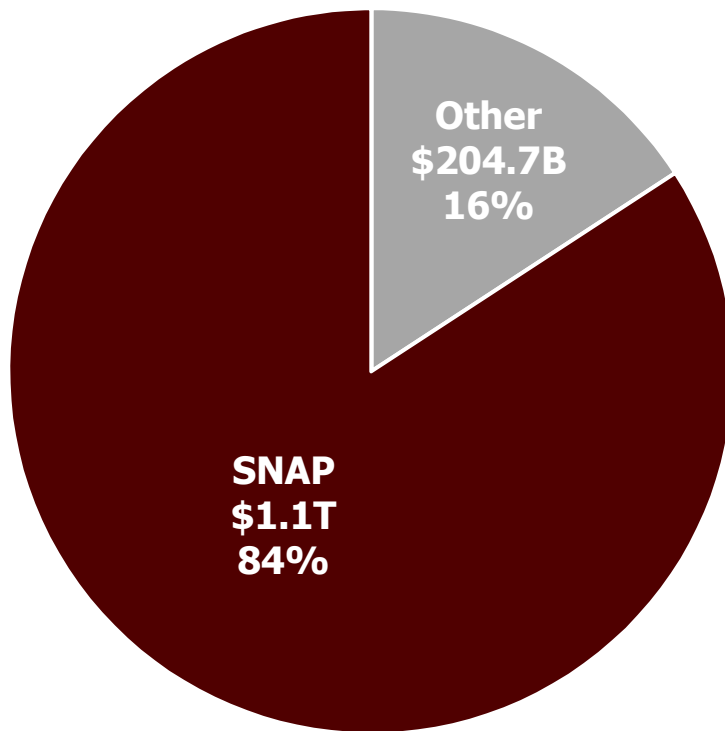


Is There Demand to Improve the Farm Safety Net in the Farm Bill?

- Crop Insurance and 508(h)
- Ad Hoc Assistance:
 - Wildfire & Hurricane Indemnity Program (WHIP) and WHIP-Plus (WHIP+)
 - Coronavirus Food Assistance Program (CFAP) & Pandemic Assistance for Producers (PAP)
- Out-of-Cycle Farm Bill Improvements:
 - Seed Cotton added back to Farm Bill
- Administration-Directed Assistance:
 - Cotton Ginning Cost Share
 - Market Facilitation Program (MFP) 1 & 2

Rural vs. Urban

**CBO May 2022 Baseline
Outlays for Agriculture**

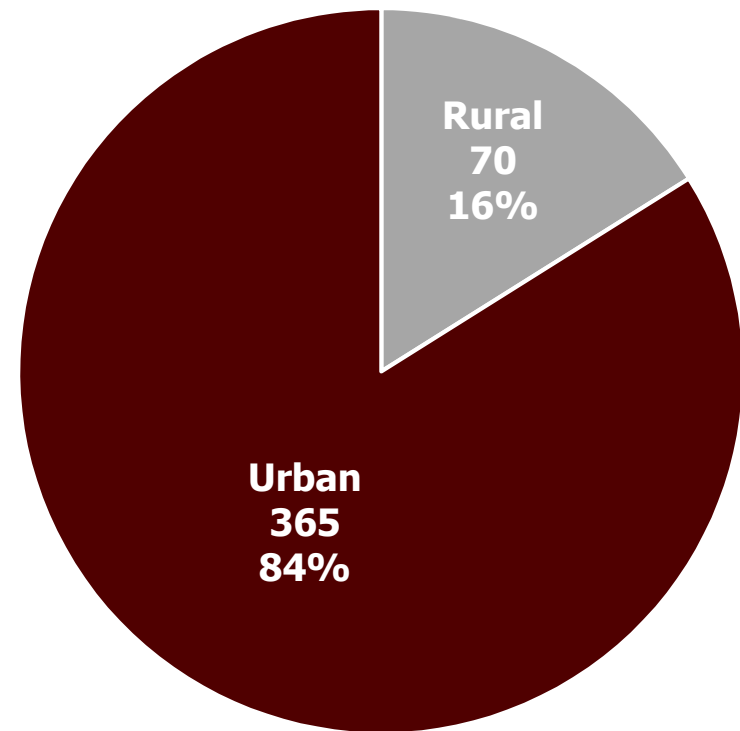


Source:

CRS Farm Bill Primer.

<https://crsreports.congress.gov/product/pdf/IF/IF12047>.

**Urban vs. Rural Congressional
Districts**



Source:

Count of "Pure Rural" in Bloomberg CityLab's Congressional Density Index.

Farm Bill Projected Outlays

- How would Congress react to a \$1 TRILLION Farm Bill?

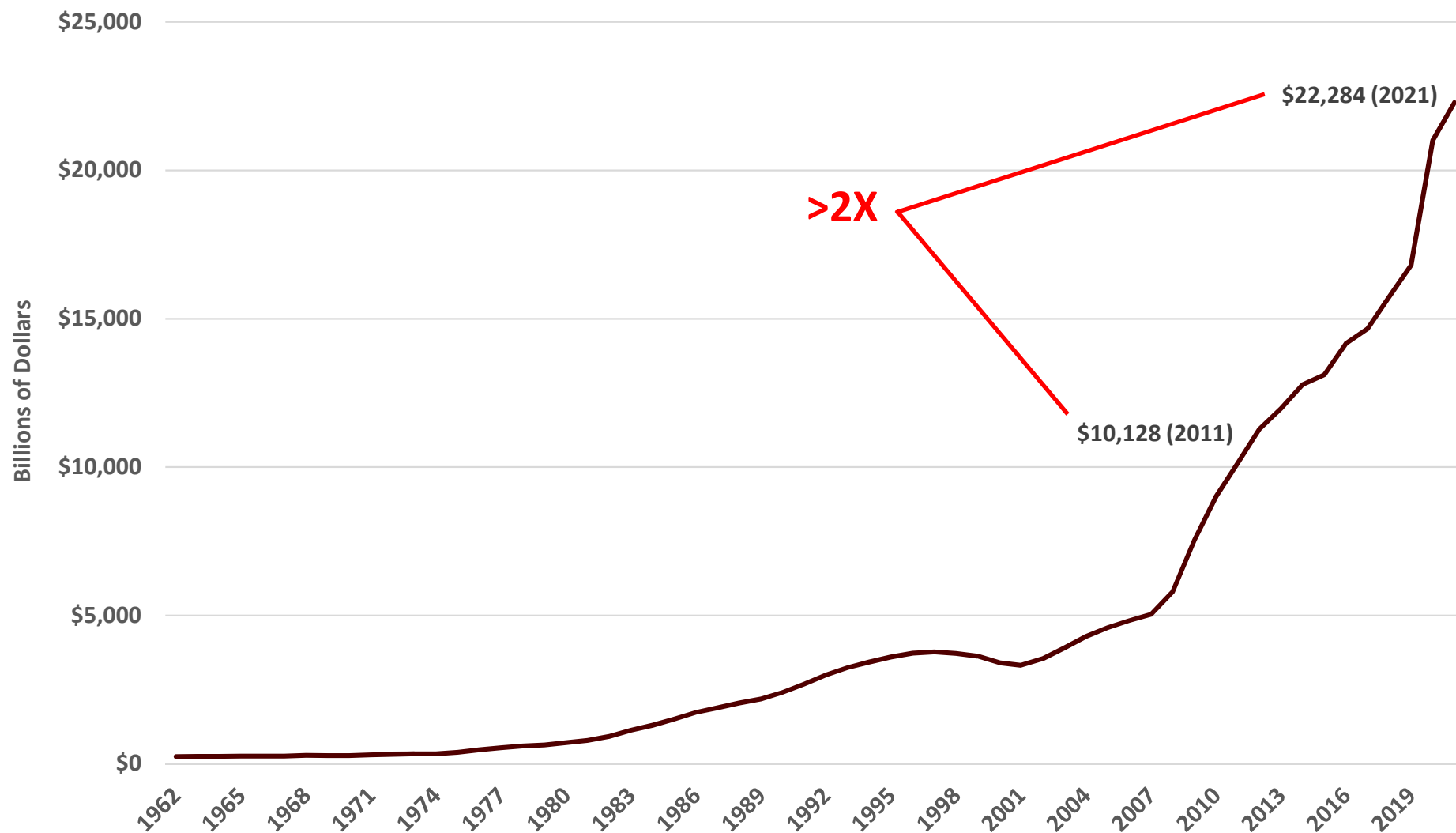
Congressional Budget Office (CBO) 10-Year Outlays in Million\$	April 2018	May 2022	Change (\$)	Change (%)
CCC Price Support & Related *	64,305	71,092	+6,787	+10.6%
--Price Loss Coverage (PLC)	43,921	31,551	-12,370	-28.2%
--Agriculture Risk Coverage (ARC)	8,347	11,788	+3,441	+41.2%
Conservation	59,689	59,216	-473	-0.8%
SNAP **	663,828	1,104,384	+440,556	+66.4%
Crop Insurance	78,037	79,761	+1,724	+2.2%

* CBO included \$10 billion in "Other Administrative CCC Spending" in the May 2022 baseline update.

** Revised economic assumptions and administrative changes to the Thrifty Food Plan (TFP) resulted in the Office of Management and Budget (OMB) projecting an additional \$254 billion in SNAP outlays from FY2022-31 (https://www.whitehouse.gov/wp-content/uploads/2021/08/msr_fy22.pdf).

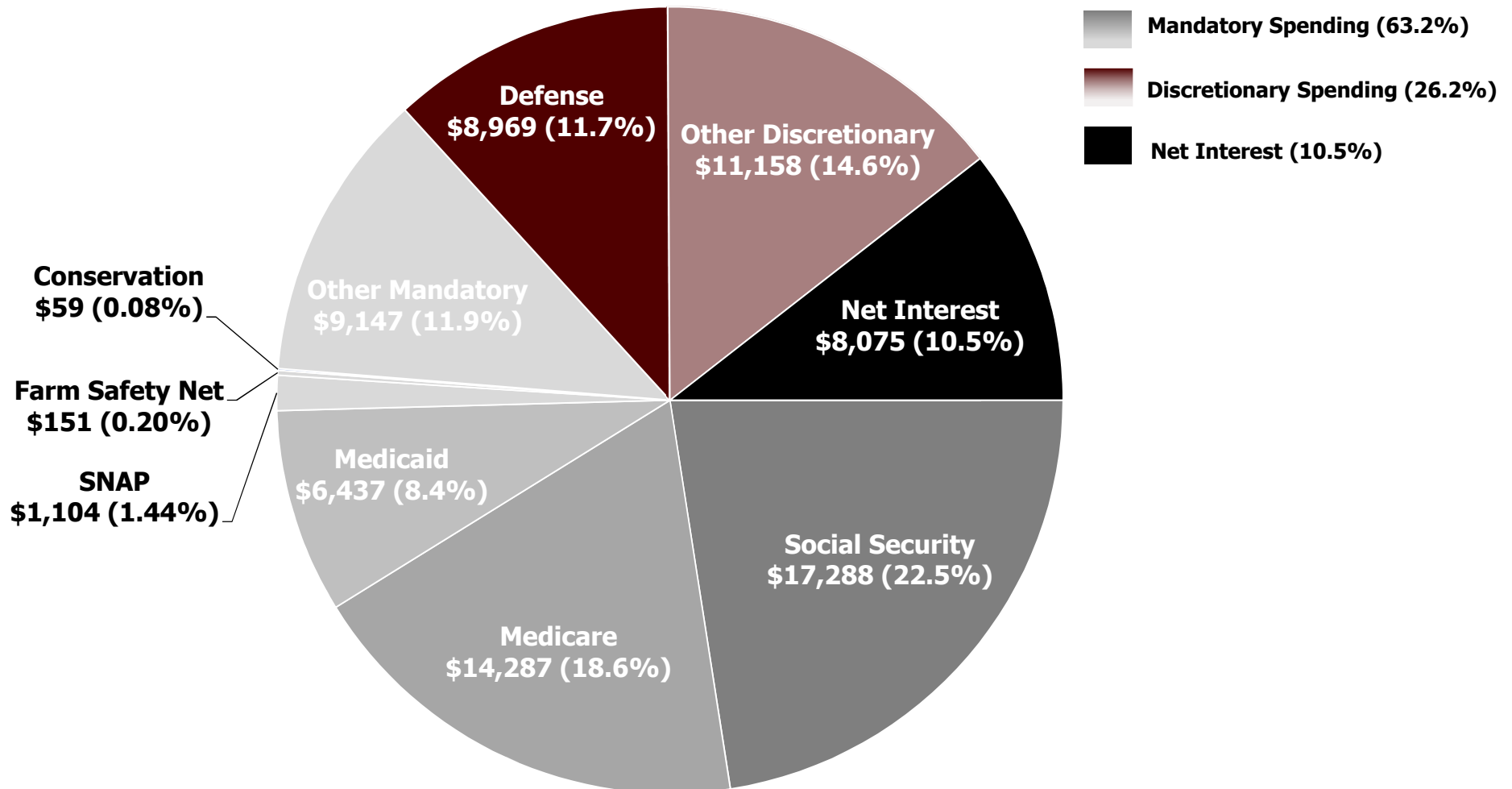
Federal Debt Held by the Public

1962-2021



Estimated Federal Outlays (FY2023-2032)

CBO May 2022 Baseline Outlook (in billions)



NOTE: total outlays from FY2023 to FY2032—\$76.7 trillion—excludes offsetting receipts of \$4.37 trillion.

Questions?

Dr. Bart Fischer
bartfischer@tamu.edu

979-845-5913
www.afpc.tamu.edu

