

farmdocDAILY LIVE | Coronavirus and Ag

**Farm Policy, Farm Incomes,
and Upcoming Management Decisions**



Jonathan Coppess



Nick Paulson



Gary Schnitkey

Audio

Poor Audio

- Normal function of your internet connection
- **Solution:** Call in by following instructions in email



No Audio on computer

- Ensure computer audio is selected and check output device
- Check that speakers are not muted or very low volume
- If all else fails call in by following instructions in email

Housekeeping

- Handout available via GoToWebinar control panel
- Webinar will be archived and available on farmdoc
- Submit questions during the webinar
- Please complete the survey after the webinar



ILLINOIS

Agricultural &
Consumer Economics

COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

farmdoc

farmdocDAILY LIVE | Coronavirus and Ag

**Farm Policy, Farm Incomes,
and Upcoming Management Decisions**



Jonathan Coppess



Nick Paulson



Gary Schnitkey

What do you expect farm income on crop farms in Illinois to be in 2020 relative to 2019?

Include MFP-like and CFAP program payments in your expectations.

- Increase significantly
- Increase
- Remain the same
- Decrease
- Decrease significantly

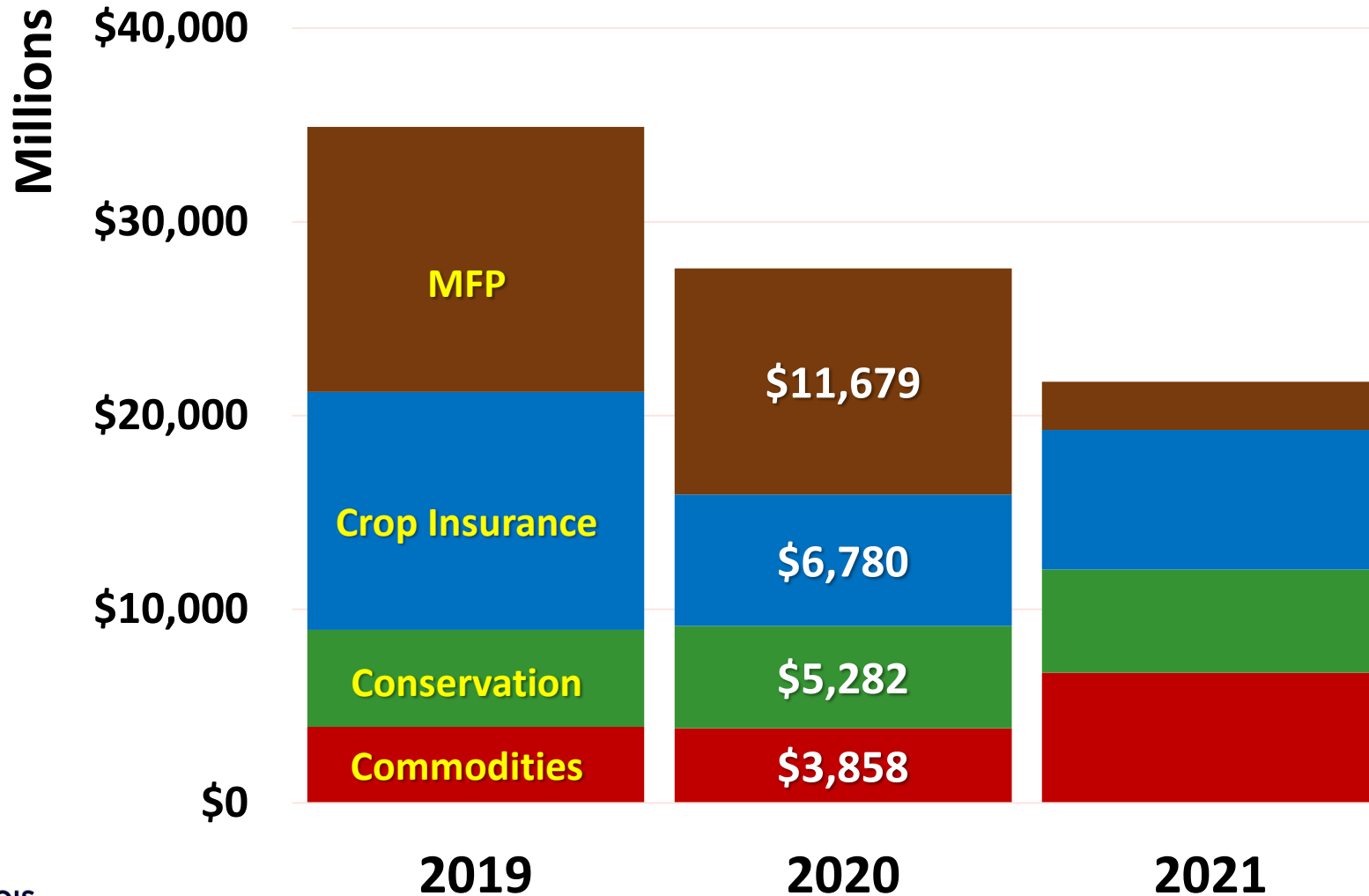
Agricultural Policy Now



Jonathan Coppess

Estimated Outlays for Farmers; Near-Term (CBO)

Outlays by Program and Fiscal Year (CBO March 2020)



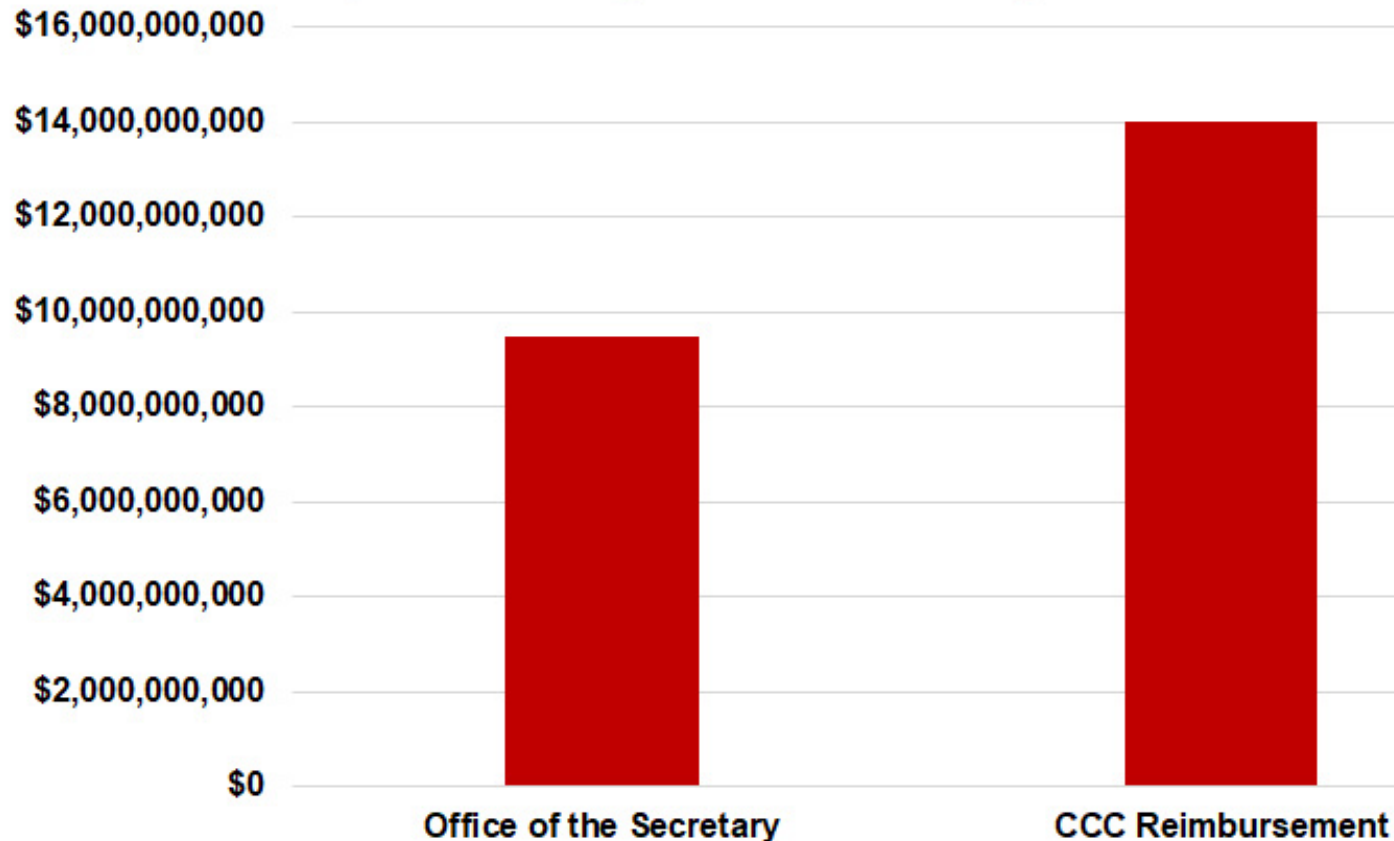
Fiscal Year 2020

(Oct. 1, 2019 to Sept. 30, 2020)

- ✓ 2nd and 3rd payments from 2019 MFP (\$11.7b)
- ✓ Crop Insurance (\$6.8b)
- ✓ Conservation (\$5.3b)
- ✓ ARC/PLC for 2018 crop (\$3.9b)

CARES Act

Figure 2. Funding Related to Assisting Producers



The CARES Act

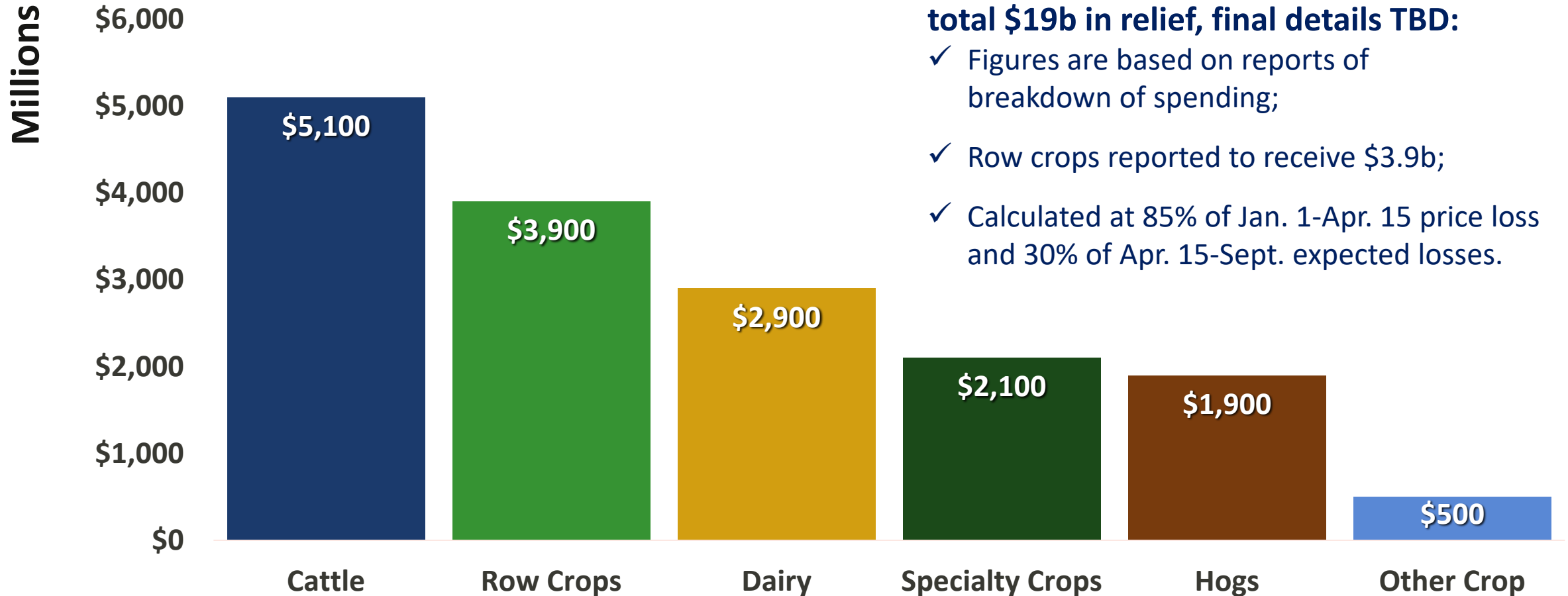
enacted March 27, 2020 (total \$2T)

- ✓ \$9.5 billion for producers, specifically specialty crops, local food & farmers market producers, livestock and dairy
- ✓ \$14b CCC reimbursement applicable after June 2020 report

<https://farmdocdaily.illinois.edu/2020/04/reviewing-usda-funding-in-the-cares-act.html>

Coronavirus Food Assistance Program (CFAP)

Producer Assistance; CFAP-USDA (Reported)



Announced by USDA on April 17, 2020;
total \$19b in relief, final details TBD:

- ✓ Figures are based on reports of breakdown of spending;
- ✓ Row crops reported to receive \$3.9b;
- ✓ Calculated at 85% of Jan. 1-Apr. 15 price loss and 30% of Apr. 15-Sept. expected losses.

House (May 12, 2020): HEROES Act

Livestock & Poultry

- Assistance for losses for depopulation (85% first 30 days)
- \$300m for animal disease

Dairy

- \$500m for direct donation of dairy products
- \$500m for loans to dairy processors
- Supplemental dairy margin coverage payments

Specialty crops, etc.

- \$100m for grants to states to help specialty crop farmers
- \$50m for grants to local ag market entities
- \$50m for training and outreach, beginning, disadvantaged, etc.
- \$28m grants for farm stress assistance programs

House (May 12, 2020): HEROES Act

Biofuels & Cotton users

- Payments at \$0.45 per gallon produced Jan 1 to May 1 (or 50% of 2019 if none produced)
- \$0.06 per pound for cotton consumed

Direct payments to producers

- \$16.5 billion for CFAP
- 85% of 2nd quarter “actual losses” for CFAP commodities
- 85% of 1st and 2nd quarter “actual losses” for non-CFAP commodities.

CCC

- Changes for powers to aid in livestock/poultry disposal and for supply chain issues;
- Notification on spending

Conservation

- Soil health program: 5m acres at \$70 per acre and up to \$30 per acre for putting cropland (3 years production) into soil conserving use for 3 years.

House (May 12, 2020): HEROES Act

Enhanced projects for donated foods

- \$25m for meat, dairy, poultry or specialty crop harvesting-packaging-donation (to states)

Added flexibility

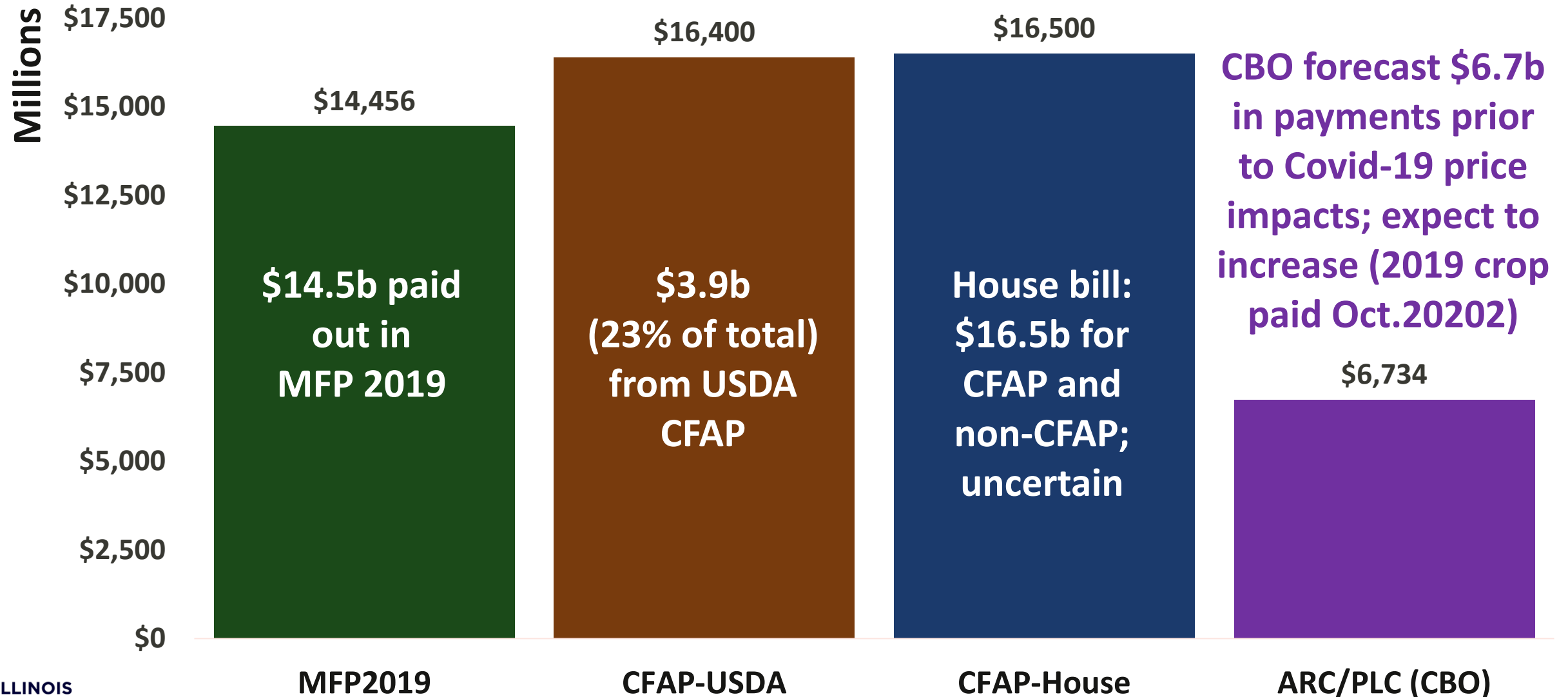
- To programs for emergency food assistance, seniors farmers' markets and native American reservations programs.

SNAP

- Increase in benefits using 115% of the 2019 thrifty food plan
- \$300m for admin costs in 2020 and 2021 FY; blocks USDA rules.

Summary: Potential Assistance to Farmers, 2019 Crop

Overview of Assistance to Farmers: MFP and Covid-19 Proposed



MFP payments on 2019 production averaged about \$70 per acre in Illinois.

What are your expectations for 2020 payments from MFP-like and CFAP programs in 2020?

- Over \$100 per acre
- Between \$50 and \$100 per acre
- Between \$25 and \$50 per acre
- Less than \$25 per acre

Agricultural Policy Innovations: Recent Past and Next Year



Nick Paulson

Existing Farm Safety Net

Commodity Title

- ARC/PLC
 - Multi-year adjustments to ARC guarantees
 - Fixed price floor for PLC
 - Base acres
- MAL
 - Actual production

Crop Insurance

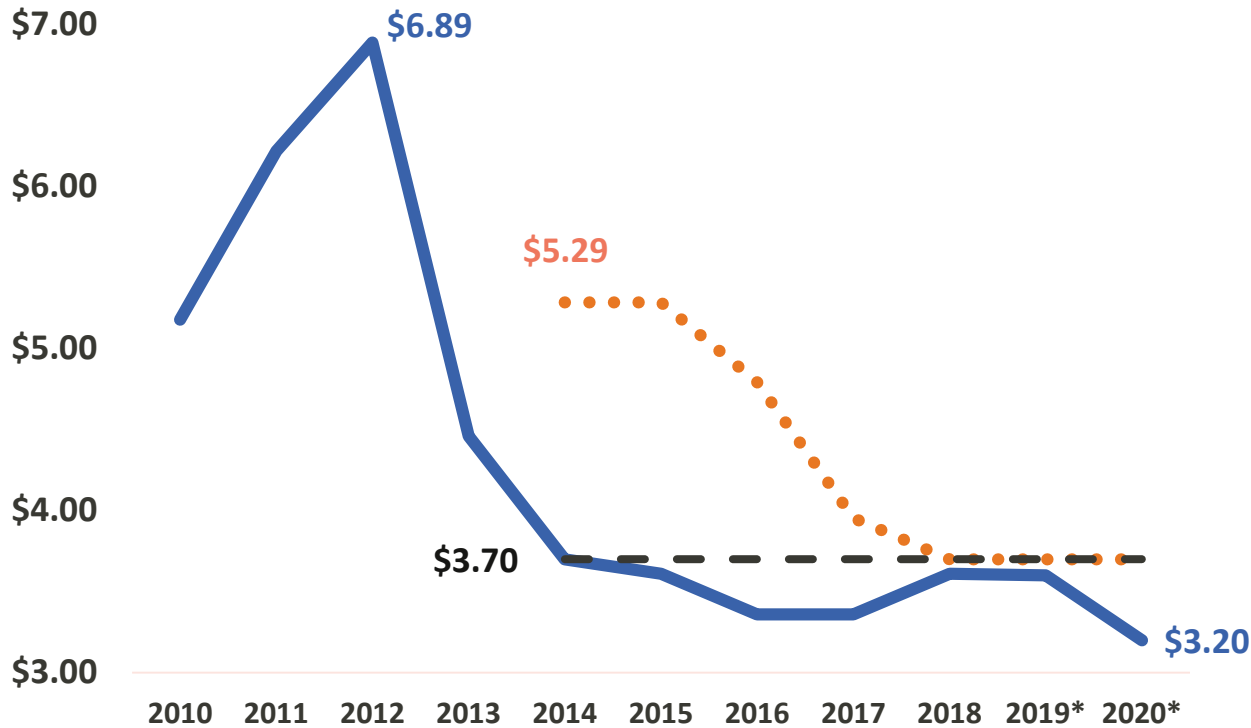
- Fixed coverage level options
- Annual adjustments to guarantees
- Planted acres

Farm Bill programs debated by Congress and in place during life of current legislation

Existing Farm Safety Net - Corn

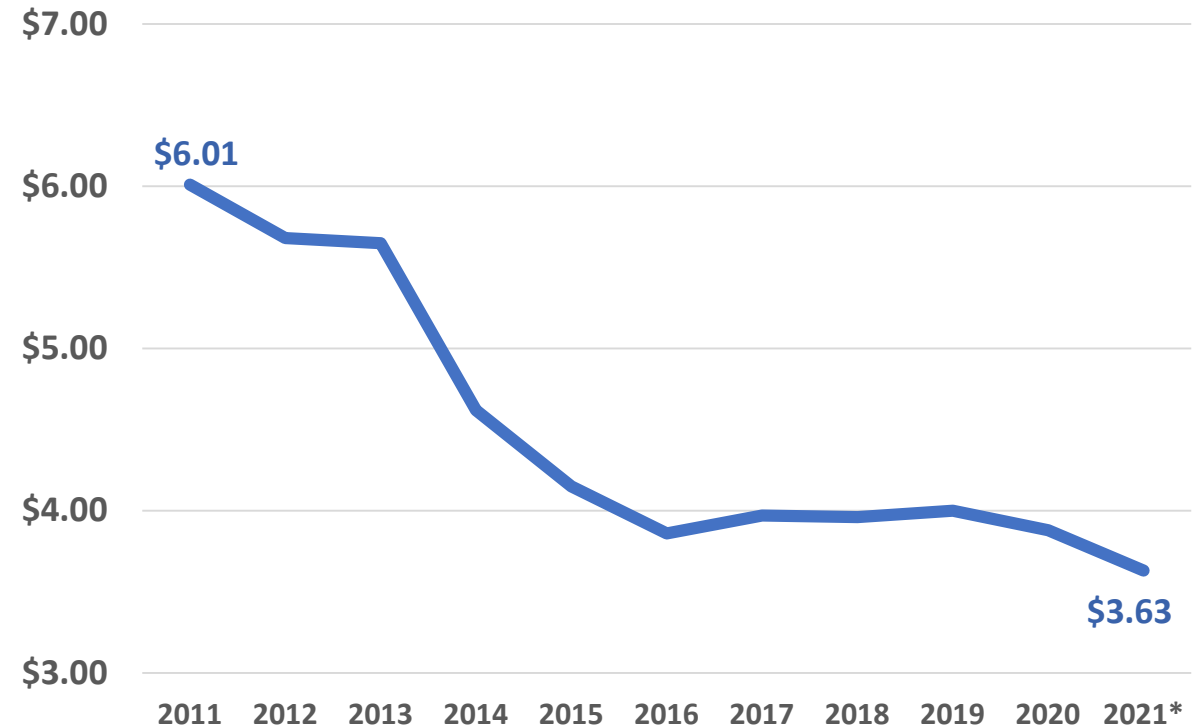
Commodity Title

Marketing Year Average Price - Corn



Crop Insurance

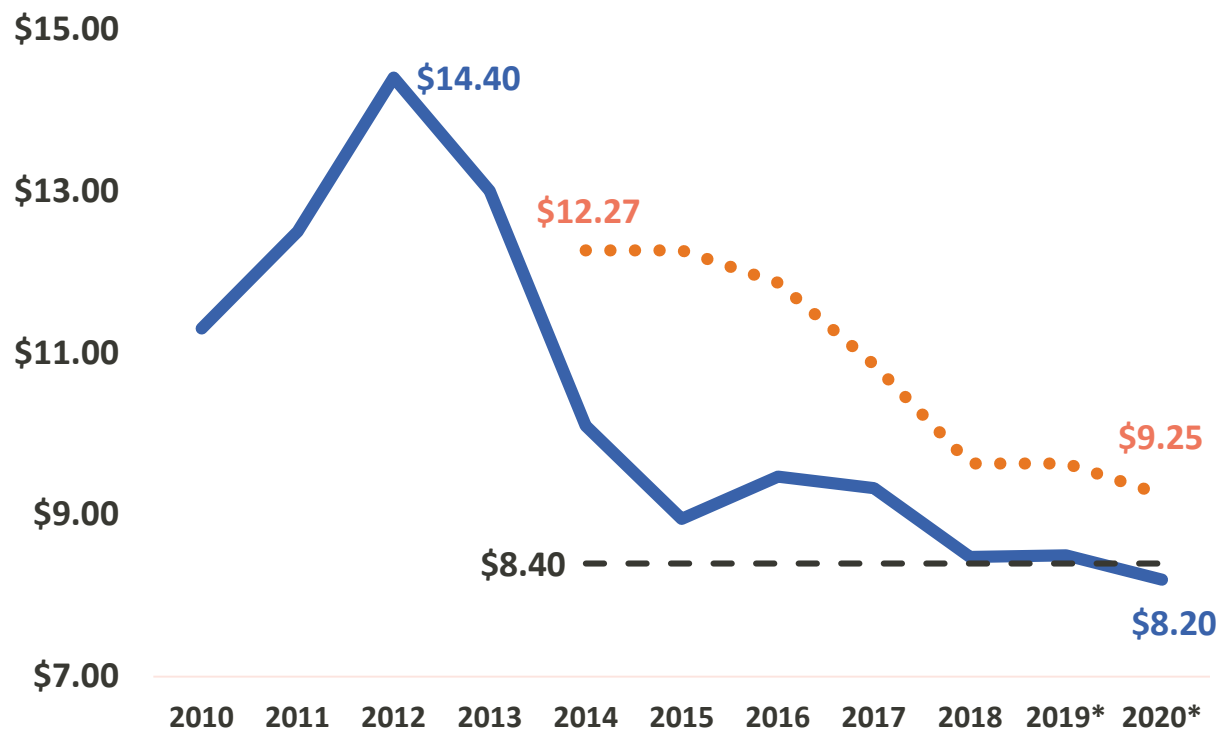
Base/Projected Insurance Price - Corn



Existing Farm Safety Net - Soybeans

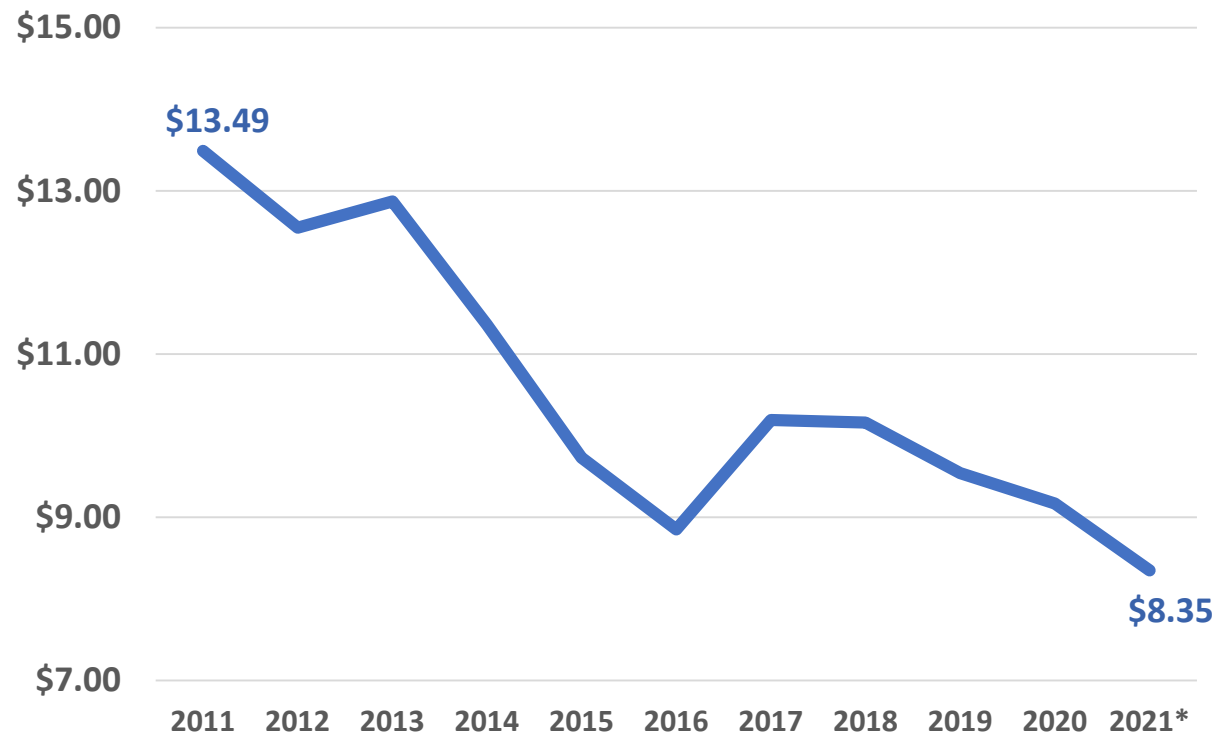
Commodity Title

Marketing Year Average Price - Soybeans



Crop Insurance

Base/Projected Insurance Price - Soybeans

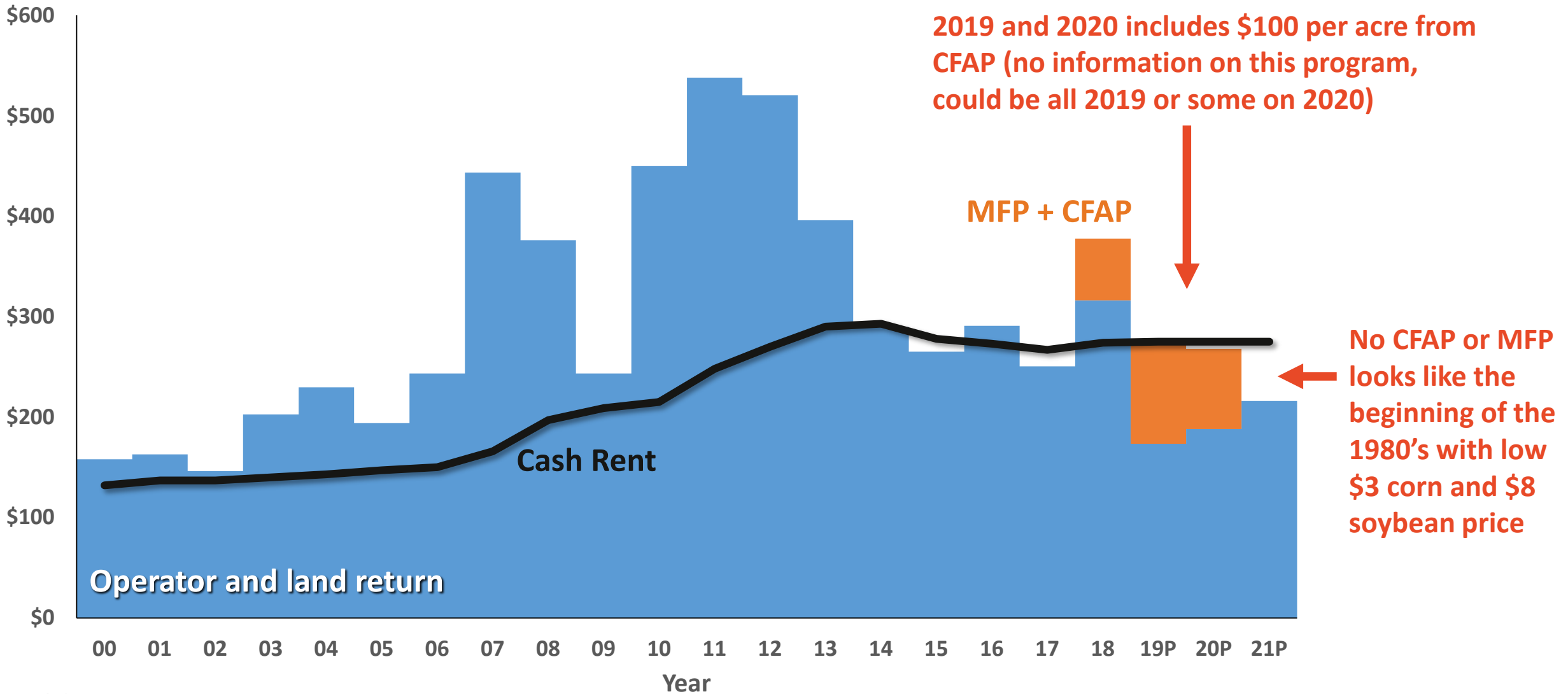


Trade Wars, and Flooding, and Pandemics, Oh My!

- 2018
 - MFP payments
 - Good yields
- 2019
 - MFP payments
 - Prevent plant “top up”
- 2020
 - CARES Act
 - CFAP
 - PPP, EIDL
 - House HEROES Act
- 2021 and beyond?

ad hoc programs authorized by the Administration,
run through USDA

Operator and Land Returns, Central Illinois



What do you expect MFP and CFAP-like payments to be in 2021?

- Continue over \$50 per acre
- Between \$0 and \$50 per acre
- I do not expect a continuation of these program in 2021

Returns, Cash Rents, and Management Decisions in 2021



Gary Schnitkey

Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208	215	75	64	68
Price per bu	\$3.60	\$3.55	\$3.20	\$9.36	\$8.55	\$8.20
Crop revenue	853	738	688	702	547	558
ARC/PLC	0	10	30	0	10	30
MFP	1	82	0	122	82	0
CFAP		20	80	0	20	80
Crop insurance	2	10	0	2	10	0
Gross revenue	856	860	798	826	669	668
Total non-land costs	574	606	571	353	372	359
Operator and land return	282	254	227	473	297	309
Cash rent	274	275	275	274	275	275
Farmer return	8	-21	-48	199	22	34



- 2019 farm return has been lowered because of lower prices
- Built into budgets is \$100 of CFAP payments, \$20 for 2019 crop and \$80 for 2020. **Those are not for certain**
- **Overall lower returns for 2019 and 2020, lower income**

Added 2021 Budgets (no MFP or CFAP)

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	215	217	75	64	68	68
Price per bu	\$3.60	\$3.55	\$3.20	\$3.40	\$9.36	\$8.55	\$8.20	\$8.30
Crop revenue	853	738	688	738	702	547	558	564
ARC/PLC	0	10	30	20	0	10	30	20
MFP	1	82	0	0	122	82	0	0
CFAP		20	80	0	0	20	80	0
Crop insurance	2	10	0	0	2	10	0	0
Gross revenue	856	860	798	758	826	669	668	584
Total non-land costs	574	606	571	571	353	372	359	359
Operator and land return	282	254	227	187	473	297	309	225
Cash rent	274	275	275	275	274	275	275	275
Farmer return	8	-21	-48	-88	199	22	34	-50

- A bit higher prices
- No additional payments (after the election)
- Much lower returns

Cash Rents for 2021

- **Be very careful in setting 2021 cash rents**
Consider that there may not be MFP, CFAP payments in 2021
- **Evaluate price prospects at the end of the summer**
If futures markets suggesting low \$3 and low \$8 soybeans cash prices for 2021, lower cash rents or use a variable cash rent
- **If use a cash rent**
Build clause in for cash rent levels with and without additional MFP and CFAP payments in 2021

Advice

With additional government aid (more than currently announced Coronavirus Food Assistance Program), most crop farms will be “ok” (not great, not without financial losses) at the end of 2020. 2021 is the question

- **Consider planting soybeans on “switchable” acres**
- **Consider the PPP and EIDL program, conserve all working capital**
- **Start marketing remaining 2019 crop**
- **Adjust 2020 crop marketing goals to lower prices**
- **Danger point: Setting cash rents for 2021**

We would like to thank all of our farmdoc sponsors



Upcoming Webinars

What is the Outlook for the Ethanol Industry Going Forward?

11:00 to 11:45am CT, Tuesday May 19th

The ethanol production industry has been severely impacted by demand destruction caused by coronavirus restrictions. The purpose of this webinar is to examine the financial damage done to the industry and the outlook for recovery through the end of 2020. Scott Irwin and Todd Hubbs of the farmdoc team will be joined by Eric Moseby, General Manager of Lincolnland Agri-Energy in Palestine, Illinois to discuss these issues.

Coronavirus and The Pork Industry: Perspectives from The Maschhoffs

11:00 to 11:45am CT, Friday May 22nd (Last Webinar of the Series)

Bradley Wolter, CEO of The Maschhoffs, will share his perspectives on the impacts that Coronavirus has had on the pork industry, with discussion on human resource, pig health, and supplier issues. Gary Schnitkey will provide an economic update as well as background on recent trends in the pork industry.

Thank You for joining us!

Please submit your questions



ILLINOIS EXTENSION **farmdocDAILY** Farm Policy News

farmdoc DECISION OUTREACH CENTRAL

Market Prices Sections Tools Publications Events Sponsors/Donate About Us Q

Coronavirus and Ag

The *farmdoc* team discusses the impact and influence of the Coronavirus on farmers and agriculture. As we learn more we'll update this page with articles and videos to help inform our audience.

We invite you to use the button on the right to submit questions. We will do our best to address them during the upcoming articles and videos.

[Submit Questions](#)

farmdoc daily live: Coronavirus and Ag [View All](#) [See Upcoming](#) [Register For Series](#)

- Setting the Stage**
March 17th, 2020
[Watch Video](#) [Download Slides](#)
- Lessons from Infectious Disease and Livestock**
March 24th, 2020
[Watch Video](#) [Download Slides](#)
- Financial Perspectives on Agriculture and Coronavirus**
March 27th, 2020
[Watch Video](#) [Download Slides](#)
- Global Transportation and Cash Flow Considerations**
March 31st, 2020
[Watch Video](#) [Download Slides](#)
- Outlook and Farm Policy Moving Forward**
April 3rd, 2020
[Watch Video](#) [Download Slides](#)
- Acreage Decisions 2020**
April 7th, 2020
[Watch Video](#) [Download Slides](#)
- Impacts of Covid-19 on Agricultural Assets and Lending Markets**
April 10th, 2020
[Watch Video](#) [Download Slides](#)
- Scott Irwin and Jeff Bunting on Crop Supply Logistics this Spring**
April 14th, 2020
[Register for Series](#)
- Rural Economy Stimulus: CARES and PPP Funding**
Thursday, April 16th, 2020 at 1:30 CST
[Register for Series](#)
- Getting the 2020 Crop Planted**
April 17th, 2020
[Register for Series](#)
- The Impact of the Coronavirus Pandemic on Food Prices and Retail Food Sector**
April 21st, 2020
[Register for Series](#)
- Gardner Policy Group**
April 24th, 2020
[Register for Series](#)

Visit us at

farmdocDAILY

.Illinois.edu

[Subscribe for Latest News Updates](#)



ILLINOIS
Agricultural &
Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
& ENVIRONMENTAL SCIENCES

Visit our new Coronavirus and Ag page
for the latest information

farmdoc.illinois.edu/coronavirus-and-ag



For the webinar archives and **5-minute farmdoc**
Subscribe to our channel YouTube.com/farmdocVideo

