

**Illinois Farm Economics Summit 2021**  
**Policy Update for 2022**



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COLLEGE OF AGRICULTURAL, CONSUMER  
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**Krista Swanson**

**farmdoc**

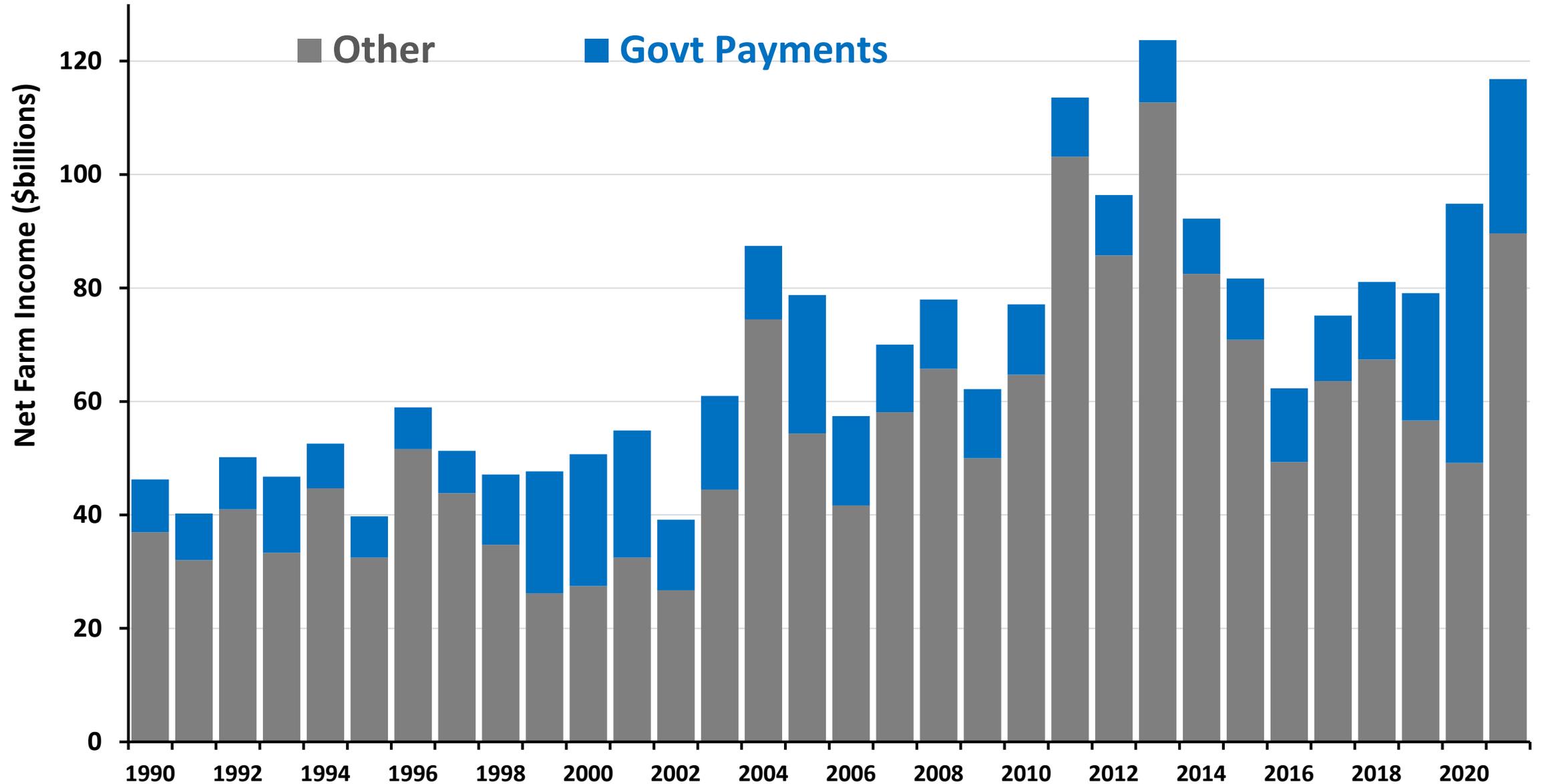
**Nick Paulson**

# Topics

- Review of Last Few Years
- 2022: ARC/PLC and Crop Insurance
- Infrastructure Bill
- Build Back Better
- Looking Ahead to the 2023? Farm Bill

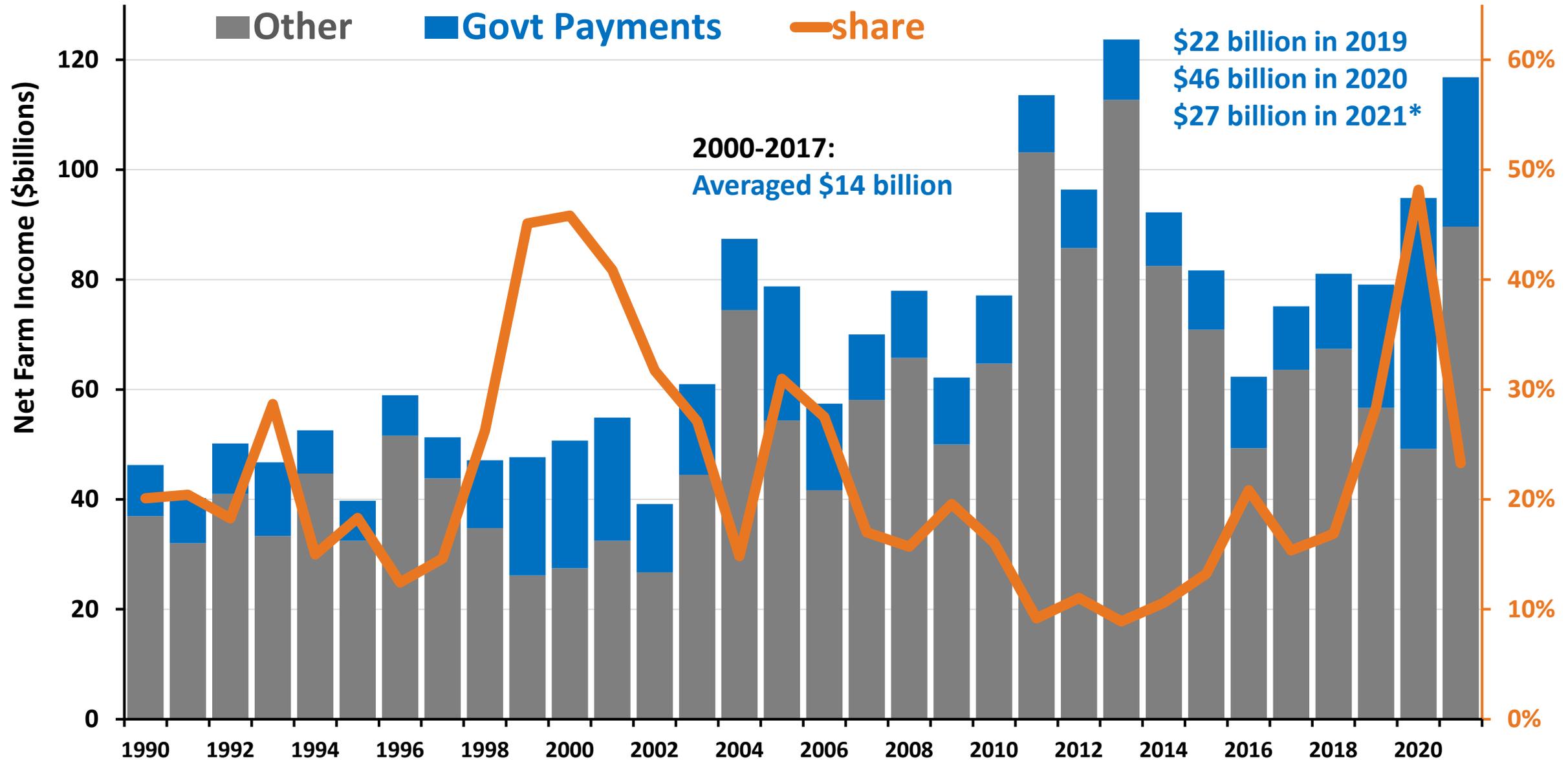


# U.S. Net Farm Income and Government Payments

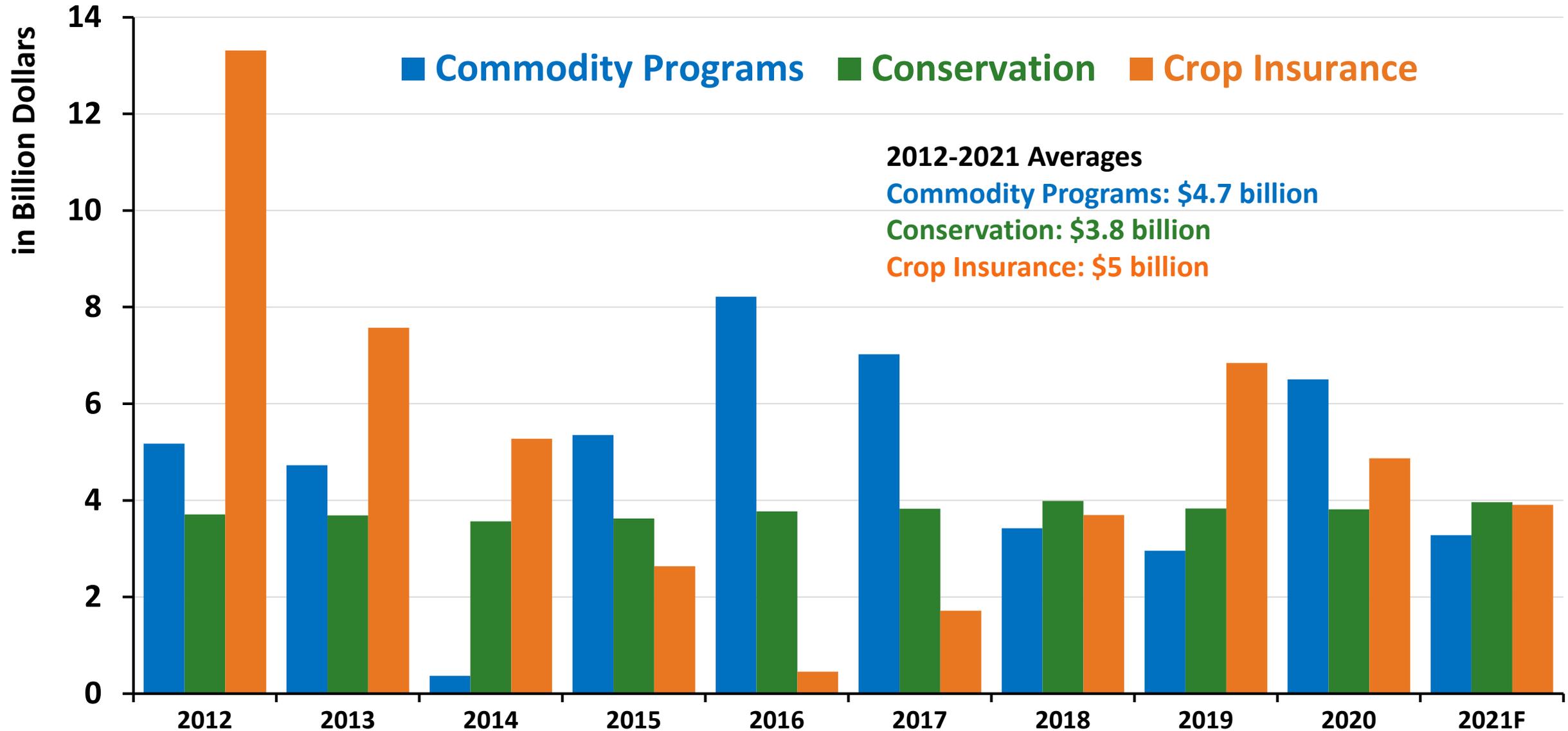


Data Source: USDA – Economic Research Service

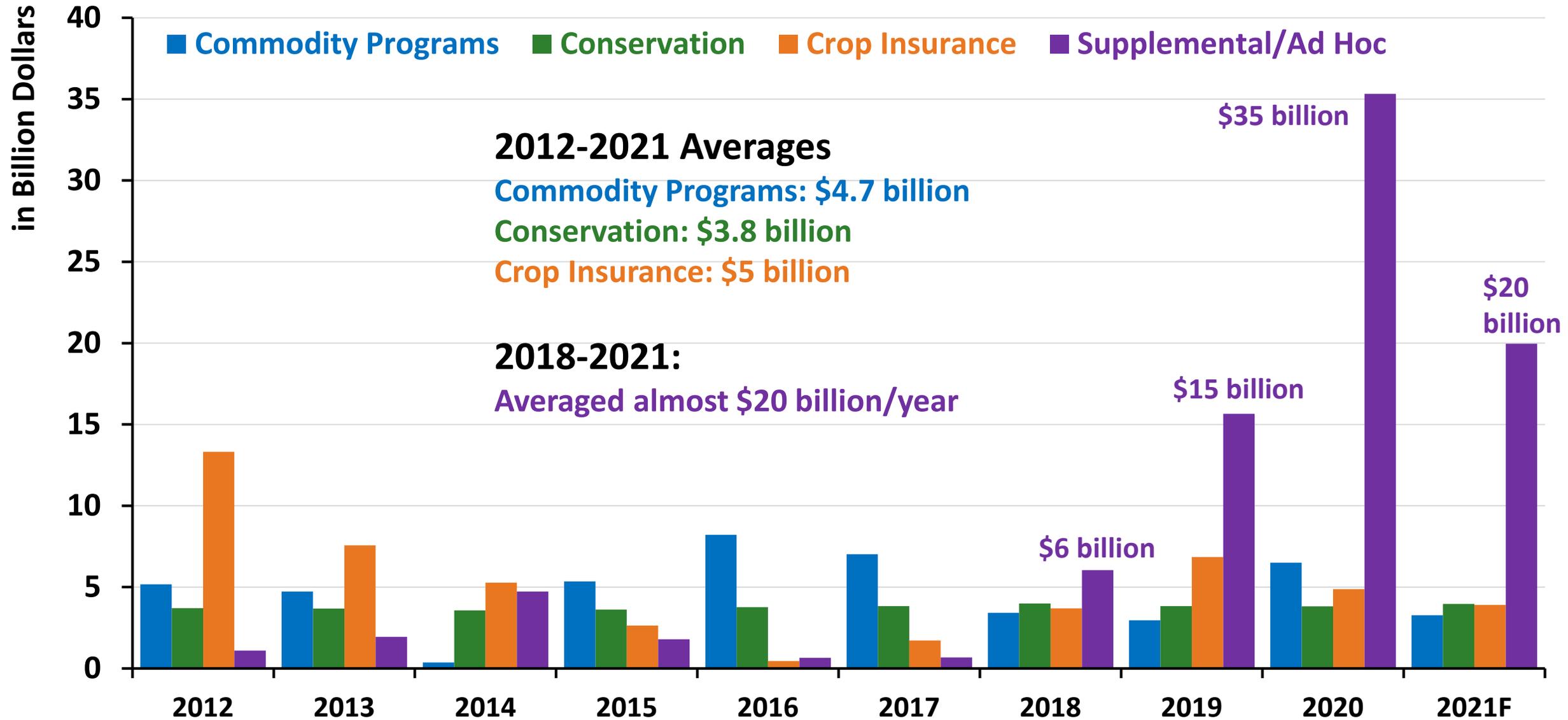
# U.S. Net Farm Income and Government Payments



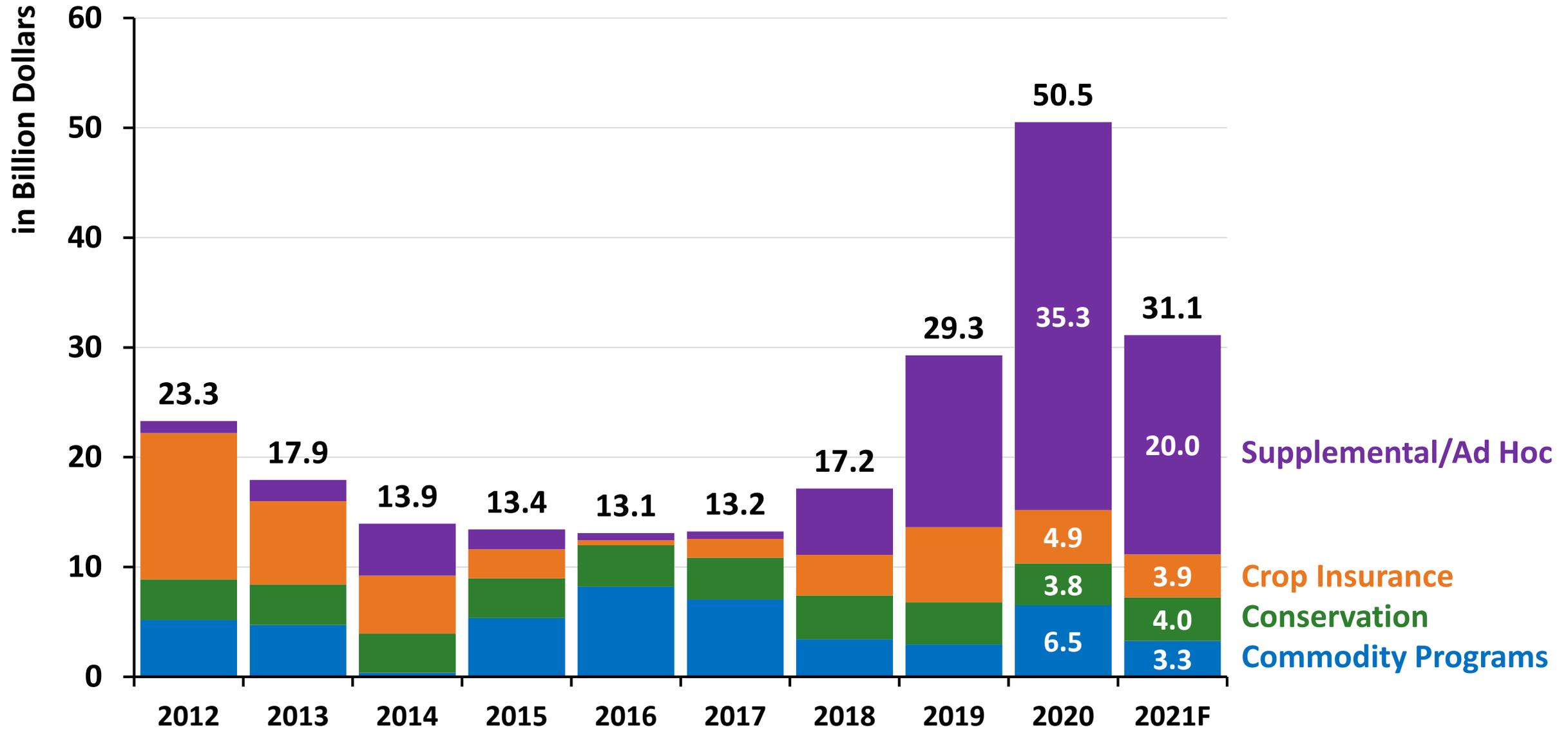
# Government Payments 2012-2021F



# Government Payments 2012-2021F



# Government Payments 2012-2021F



# Updated 2022 Crop Budgets

- Based on farms enrolled in IL FBFM
- Record returns and incomes expected for 2021
- 2022 returns projected positive despite high input costs
  - \$5.00 corn price
  - \$12.00 soybean price
- 2022 returns similar for corn and soybeans
- [December 7, 2021 farmdoc daily](#)

Table 1. Corn and Soybean Returns, Central Illinois, High-Productivity Farmland

	Corn			Soybeans		
	2020	2021P	2022P	2020	2021P	2022P
Yield per acre	214	235	225	72	75	71
Price per bu	\$4.33	\$5.50	\$5.00	\$11.22	\$12.75	\$12.00
Crop revenue	\$927	\$1,293	\$1,125	\$808	\$956	\$852
ARC/PLC	0	0	0	0	10	0
Ad hoc Federal payments	68	0	0	45	0	0
Crop insurance proceeds	9	0	0	4	0	0
<b>Gross revenue</b>	<b>\$1,004</b>	<b>\$1,293</b>	<b>\$1,125</b>	<b>\$857</b>	<b>\$966</b>	<b>\$852</b>
Fertilizers	143	153	230	42	45	102
Pesticides	78	80	95	47	50	65
Seed	112	115	124	71	74	80
Drying	22	22	24	0	0	2
Storage	15	15	15	5	5	5
Crop insurance	21	24	24	14	16	16
<b>Total direct costs</b>	<b>\$391</b>	<b>\$409</b>	<b>\$512</b>	<b>\$179</b>	<b>\$190</b>	<b>\$270</b>
Machine hire/lease	16	17	19	14	14	16
Utilities	5	5	6	5	5	6
Machine repair	28	30	36	24	21	27
Fuel and oil	15	18	20	13	12	13
Light vehicle	2	2	2	1	1	1
Mach. depreciation	65	73	79	56	62	68
<b>Total power costs</b>	<b>\$131</b>	<b>\$145</b>	<b>\$162</b>	<b>\$113</b>	<b>\$115</b>	<b>\$131</b>
Hired labor	20	21	23	20	21	22
Building repair and rent	6	7	8	5	6	7
Building depreciation	13	14	15	11	12	13
Insurance	11	11	12	11	11	12
Misc	10	10	11	10	10	11
Interest (non-land)	17	14	12	15	12	10
<b>Total overhead costs</b>	<b>\$77</b>	<b>\$77</b>	<b>\$81</b>	<b>\$72</b>	<b>\$72</b>	<b>\$75</b>
<b>Total non-land costs</b>	<b>\$599</b>	<b>\$631</b>	<b>\$755</b>	<b>\$364</b>	<b>\$377</b>	<b>\$476</b>
<b>Operator and land return</b>	<b>\$405</b>	<b>\$662</b>	<b>\$370</b>	<b>\$493</b>	<b>\$589</b>	<b>\$376</b>
Land costs (cash rent)	279	284	309	279	284	309
<b>Farmer return</b>	<b>\$126</b>	<b>\$378</b>	<b>\$61</b>	<b>\$214</b>	<b>\$305</b>	<b>\$67</b>

# Farm Bill Program Support in 2022

## ARC/PLC

Current futures prices well above reference and benchmark prices

	Effective Reference Price	2022 ARC Benchmark Price
Corn	\$3.70	\$3.70
Soybeans	\$8.40	\$9.12
Wheat	\$5.50	\$5.50

## Crop Insurance

- No major policy changes
- Conservation focused endorsements
  - Cover crops
  - Split application nitrogen

**Likelihood of more ad hoc in 2022 if prices fall and/or input costs continue to rise?**

# 2022 Decisions: More Info After the New Year

## farmdoc - Decision Support Tools



### ARC/PLC CALCULATOR

Last Updated: Jan 5, 2021

The Gardner ARC/PLC Calculator shows the likelihood of ARC-CO and PLC making payments in each year from 2019 to 2023. Expected payment levels also are given for user-selected counties and crops.



### INSURANCE PREMIUMS

Last Updated: Feb 03, 2021

The Insurance Premiums tool shows per acre insurance premiums that farmers will pay for Federally-subsidized crop insurance products. These per acre premiums are given for customized entries made by users that reflect individual farm cases.

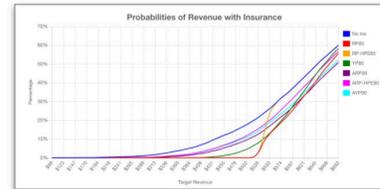
Commodity/Crop	Revenue Protection			Revenue Protection With Harvest Price Exclusion			Yield Protection			2021 Average		
	Enterprise	Basic	Standard	Enterprise	Basic	Standard	Enterprise	Basic	Standard			
WHT	1.48	1.44	2.76	3.00	1.48	1.44	2.76	3.00	1.20	2.26	2.74	31
WHT	2.00	1.96	3.42	3.60	2.00	1.96	3.42	3.60	1.70	3.06	3.58	31
WHT	2.60	2.56	4.02	3.90	2.60	2.56	4.02	3.90	2.20	4.02	4.58	31
WHT	3.20	3.16	4.62	4.50	3.20	3.16	4.62	4.50	2.80	4.62	5.18	107
WHT	4.10	4.06	5.52	5.40	4.10	4.06	5.52	5.40	3.80	5.52	6.18	113
WHT	5.10	5.06	6.52	6.40	5.10	5.06	6.52	6.40	4.80	6.52	7.18	124
WHT	7.10	7.06	8.52	8.40	7.10	7.06	8.52	8.40	6.80	8.52	9.18	132
WHT	10.00	9.96	11.42	11.30	10.00	9.96	11.42	11.30	9.50	11.42	12.18	132
WHT	13.00	12.96	14.32	14.20	13.00	12.96	14.32	14.20	12.50	14.32	15.18	140



### INSURANCE EVALUATOR

Last Updated: Daily

The Insurance Payment Evaluator tool provides helpful information to producers comparing costs and risk reductions across their available crop insurance alternatives.



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# Infrastructure and Build Back Better

# What best describes your opinion of the infrastructure bill?

- Needs to be done, should be spending more
- Needs to be done, spending right amount
- Not necessary, but there are worse ways to spend public dollars
- Too much spending, major concerns about the deficit
- No opinion/don't know much about it

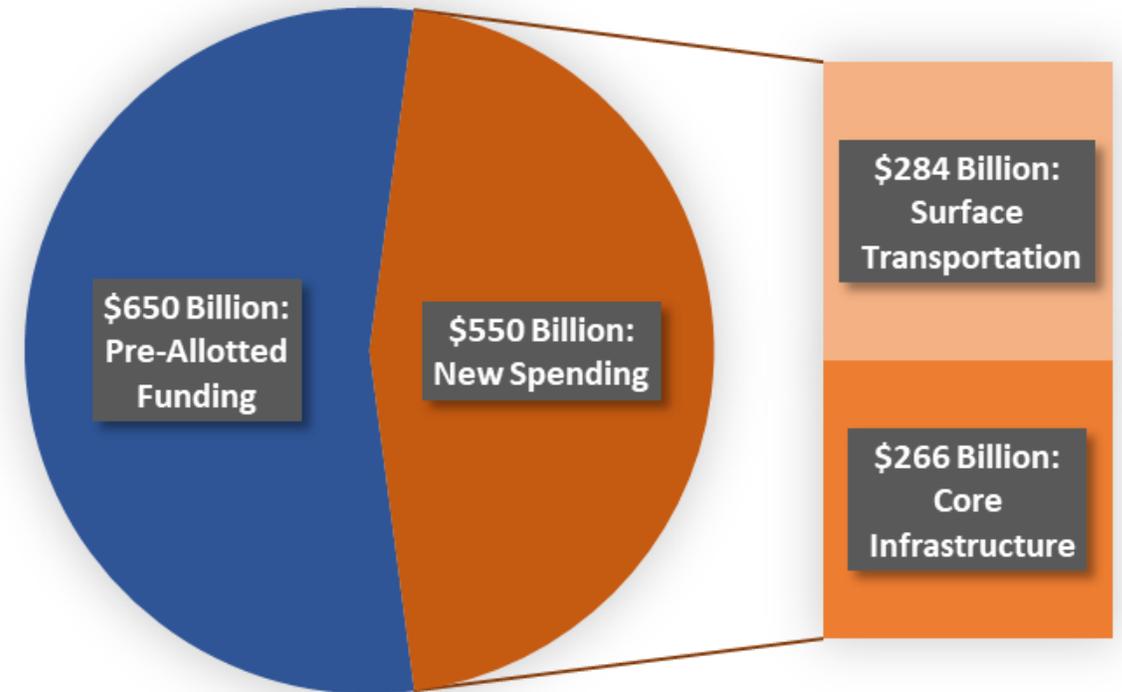


# Infrastructure Investment & Jobs Act

- Little direct farm aid, but aims to revitalize rural areas and improve transportation systems
- \$1.2 trillion plan signed into law on November 15<sup>th</sup>
- Pre-allotted funding for highways and other scheduled projects over half of total allotment
- New spending:
  - 52% surface transportation
  - 48% core infrastructure

## Bipartisan Infrastructure Framework Bill

Allocations of Estimated \$1.2 Trillion in Total Funding Over 10 Years



# BIF: Ag & Rural Communities Highlights

- Improve Ag Transportation Network
  - Addresses overdue improvements needs on roads and bridges (\$110B), railways (\$66B) and ports and waterways (\$17B)
  - Provisions to exclude livestock haulers from normal trucking hours limitations if within 150 miles of destination
- Address Digital Divide
  - Expands broadband connectivity and affordability (\$65B), protections against cybersecurity threats (\$47B), strengthens the electric power grid (\$73B)
- Enhance Water Systems
  - Improves national water systems including repairs to aging water infrastructure, new water/groundwater storage, and funds for USDA's watershed programs
- Job Opportunities in Rural America
  - Estimated 800,000+ jobs created at peak impact (Moody's)

# Build Back Better Act – As Proposed

- Different from Bipartisan Infrastructure Framework that is already signed into law
- BBB would expand the social safety net and climate change policy
- Still in process: House passed the \$1.75T proposal but Senate still debating
  - Bill started at \$3.5T and has already changed significantly, more changes are likely
- Some elements of the reconciliation package would benefit agriculture, but taxation also part of the deal

# BBB: Conservation Spending

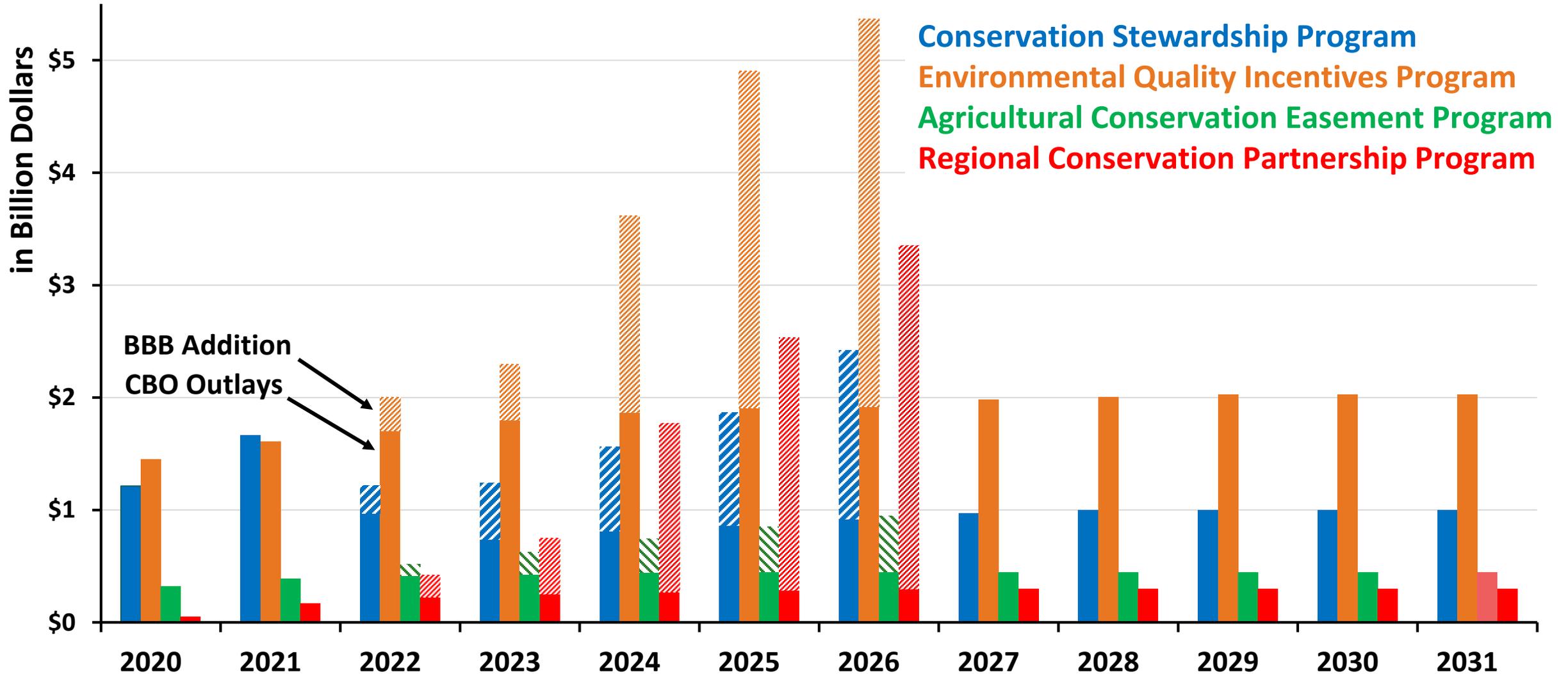
## \$27B for “climate-smart agriculture”

- Biggest investment in conservation since the Dust Bowl
- \$5B for Soil Conservation Assistance for producers who establish cover crops for soil health
  - Payments of \$25/acre to producers and \$5/acre to landowners who allow cover crops, up to 1,000 acres
- \$200M related to conservation technical assistance
- \$50M for climate change adaptation and mitigation activities at NRCS
- \$600M for NRCS to facilitate a new Carbon Sequestration and Greenhouse Gas Emissions Qualification Program to collect farm/ranch data

# BBB: Additional Funds to Existing Conservation Programs

## Conservation Program Funding Comparison

Existing Outlays & Additional Allocations Proposed in Build Back Better Act in Billions of Dollars



# BBB: Ag Credit Provisions

## Assistance for Farm Loan Borrowers

**\$6B + \$6B from American Rescue Plan for \$12B to support new and existing farmers through outreach, education, and technical assistance.**

- Support payments to “economically distressed borrowers”
- Loan modifications for borrowers  
“focusing on borrowers who are at risk”
- All FSA borrowers who are not in qualifying categories are eligible for up to \$150,000 to counter FSA debts
  - Payment is reduced by total amount borrower received from MFP in 2018 and 2019 and CFAP in 2020

# BBB: Other Items of Interest

## Some of the additional agriculture related provisions:

- Various agricultural research initiatives
- Helping rural communities in numerous ways, including modernizing water, food, and electric systems
- Forestry programs to combat forest fires and support healthy forests
- Biofuels infrastructure investments

**Note: Methane tax on livestock NOT included**

# BBB: The Taxation Side

- Some positives in current proposed tax changes from earlier proposals
  - Not Included: Elimination of automatic step-up in basis, new “transfer tax”, or limitations on 1031 like-kind exchanges
  - Included: Change ordinary income top tax bracket, increase highest long-term capital gains tax rate, expands net investment income tax
- When it comes to special provisions expect calculations, caveats, and consequences
  - Example: Lowering federal estate tax exemption level and changing Section 2032A special use valuation is essentially giving owners the option to pay for a step-up in basis... like the “transfer tax”

# Looking Ahead



# What Farm Bill programs would you prioritize the most for more funds in 2023?

- Commodity Programs (ARC/PLC)
- Crop Insurance
- Conservation
- Nutrition
- Other



# Looking Ahead: 2023 Farm Bill

- What party will control either chamber of Congress?
- Will Farm Bill continue to be bipartisan?
- The urban/rural coalition
- Baseline game
  - Impact of BBB?
  - If funding allocation shifts, how?
- Rise of Conservation and ad hoc
  - Implications for Commodity Programs
  - Implications for Crop Insurance

# Summary

- Record farm incomes and government payments
- Positive return outlook for 2022, but significant uncertainty
- Major government spending since pandemic began
- Increasing political polarization and the future of farm policy/support



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