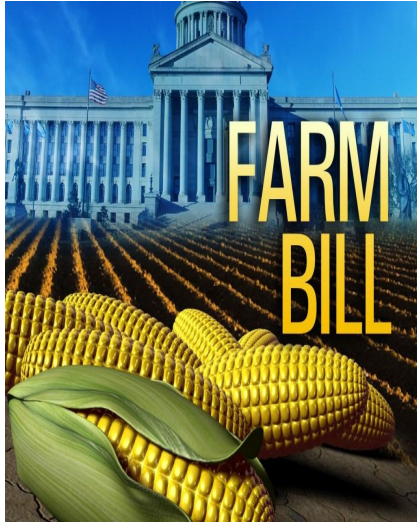


## **PLANNING AHEAD WITH A NEW FARM BILL**



**KENT THIESSE**

Farm Management Analyst

Phone --- (507) 381-7960

E-Mail – [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com)



## JUNE WASDE REPORT --- CORN

	2019-20 Est. June	2019-20 Est. May	2018-19 Est.
Planted Acres	89.8 M.	92.8 M.	89.1 M.
Ave. Yield	166.0	176.0	176.4
Production	13.68 B.	15.03 B.	14.42 B.
Total Usage	14.25 B.	14.675 B.	14.4 B.
Ending Stocks	1.675 B.	2.485 B.	2.195 B.
Est. Farm Price	\$3.80	\$3.30	\$3.60

## JUNE WASDE REPORT --- SOYBEANS

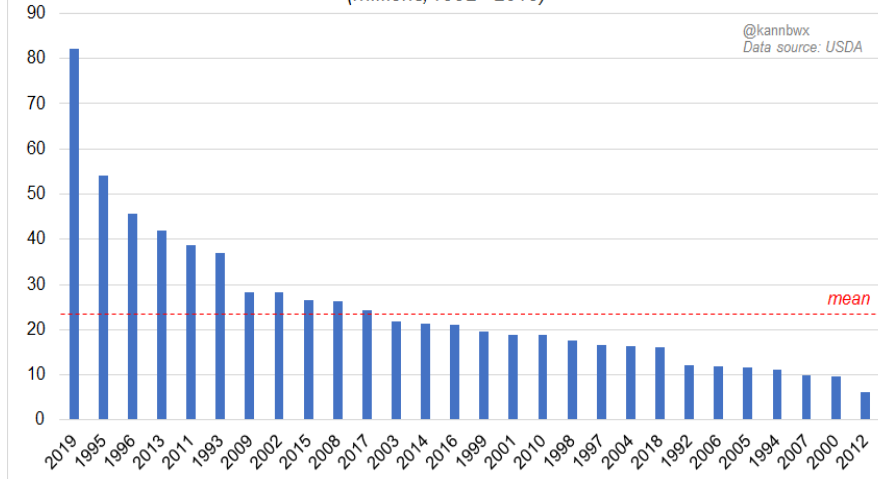
	2019-20 Est. June	2019-20 Est. May	2018-19 Est.
Planted Acres	84.6 M.	84.6 M.	89.2 M.
Ave. Yield	49.5	49.5	51.6
Production	4.15 B.	4.15 B.	4.544 B.
Total Usage	4.195 B.	4.195 B.	3.929 B.
Ending Stocks	1.045 B.	970 M.	1.07 B.
Est. Farm Price	\$8.25	\$8.10	\$8.50

## JUNE WASDE REPORT --- WHEAT

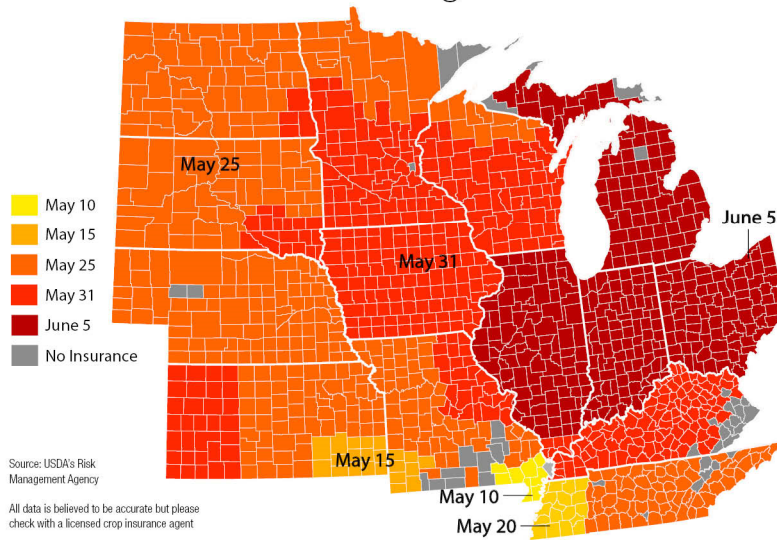
	2019-20 Est. June	2019-20 Est. May	2018-19 Est.
Planted Acres	45.8 M.	45.8 M.	47.8 M.
Ave. Yield	48.7	48.6	47.6
Production	1.903 B.	1.897 B.	1.884 B.
Total Usage	900 M.	900 M.	950 M.
Ending Stocks	1.072 B.	1.141 B.	1.102 B.
Est. Farm Price	\$5.10	\$4.70	\$5.20

### U.S. Corn and Soybean acres left to plant on June 2

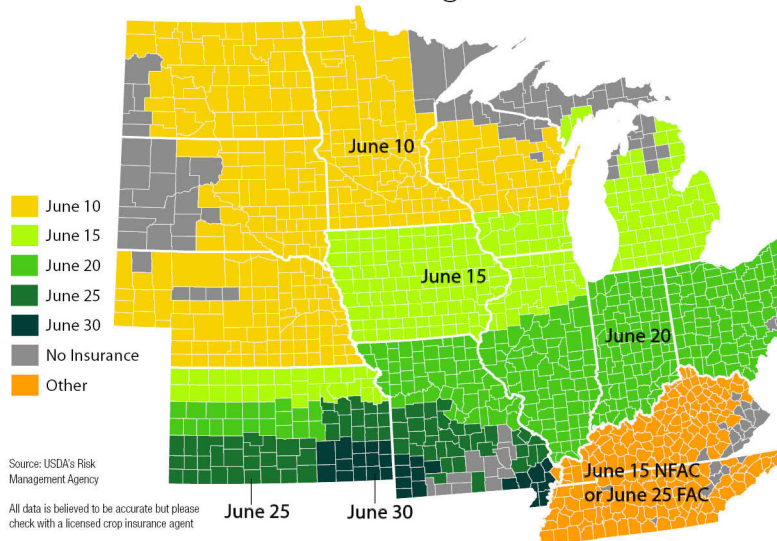
(millions; 1992 - 2019)



## 2019 Corn Crop Insurance Final Planting Dates



## 2019 Soybeans Crop Insurance Final Planting Dates





### ***Second Trade Mitigation Package for Farmers: \$16 billion***

- **\$14.5 billion Market Facilitation Program:** USDA will pay farmers a county-based payment rate for their planted acreage in 2019. This compares to \$8.5 billion paid out under last year's MFP.
- **\$1.4 billion Food Purchase program:** USDA will buy fruits, vegetables, processed foods, beef, pork, poultry and milk for food banks
- **\$100 million Trade Promotion Assistance,** adding to \$200 million given to agricultural groups to boost agricultural sales globally

## **2019 MARKET FACILITATION PROGRAM (MFP Payments)**

- **Corn, Soybeans, Wheat & Other Crops eligible. (even Alfalfa Hay).**
- **MFP payments will be based on total planted crop acres in 2019.**  
(As reported to FSA by July 15.)
- **Prevented Planted acres will not be eligible for MFP payments.**  
(This is not likely to change.)
- **MFP payments will be per acre on a County payment rate.**  
(Payment formula has not been announced yet.)
- **Separate MFP payments for Hog and Dairy producers.**
- **3 Rounds of payments (projected) .....**
  - > Late Summer 2019
  - > November 2019
  - > January 2020

## **2018-19 FEDERAL DISASTER BILL (WHIP Payments)**

- **Federal funding for WHIP covers losses from 2018 hurricanes and wildfires, as well as 2019 flooding.**
- **Most likely will need to be a “Disaster Declared” County (or adjoining County) to be eligible.**
  - > Check with Local FSA office on County Disaster eligibility.
- **Planted & Prevented Planted acres could potentially be eligible for WHIP payments.**
  - > Up to 90% of guarantee with Crop Insurance. (70% without Ins.)
  - > There is payment factor applied to WHIP payments
  - > **WHIP payments for PP will likely be less than 90%.**
- **\$3 billion total allocated for crop losses (including stored grain).**
  - > WHIP payments may need to be prorated.
- **WHIP payments for 2019 crop losses will likely not occur until after the 2019 harvest is completed.**



## 2018 Ag Risk Coverage (ARC-CO) Program

\*\*\* ARC-CO Program chosen for 95%+ of Midwest  
Corn & Soybean Base Acres.

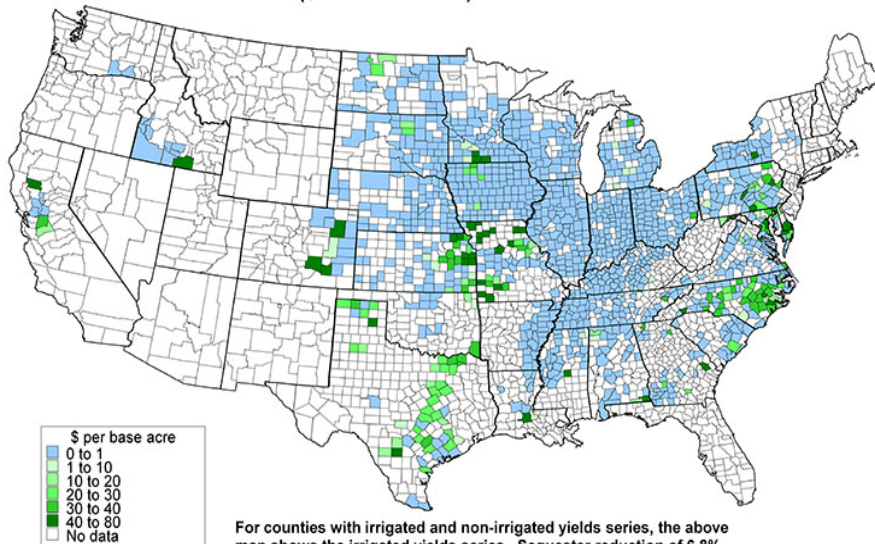
\*\*\* ARC-CO data & 2018 County BM Yields available at:

[www.fsa.usda.gov/arc-plc](http://www.fsa.usda.gov/arc-plc)

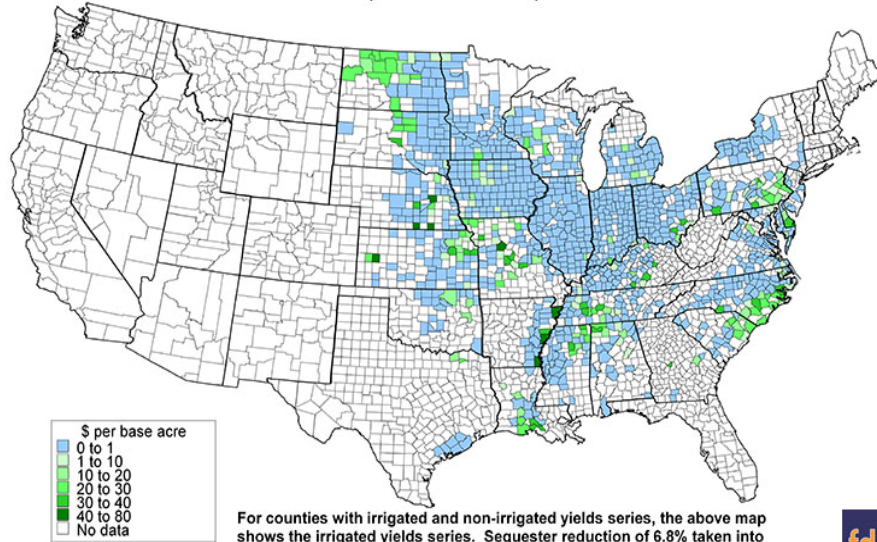


fdd

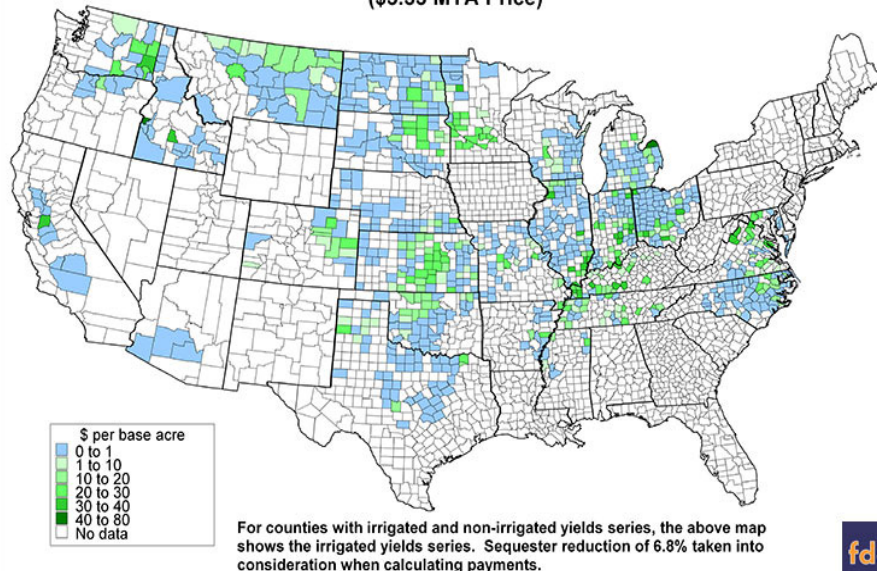
Figure 1. Estimated 2018 ARC-CO County Payments for Corn, \$ Per Base Acre  
(\$3.55 MYA Price)



**Figure 2. Estimated 2018 ARC-CO County Payments for Soybeans, \$ Per Base Acre (\$8.60 MYA Price)**

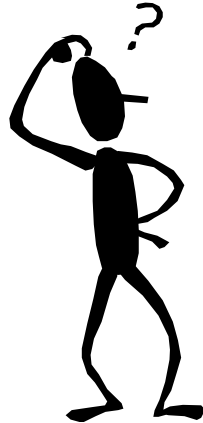


**Figure 3. Estimated 2018 ARC-CO County Payments for Wheat, \$ Per Base Acre (\$5.55 MYA Price)**





# QUESTIONS ?



KENT THIESSE

Phone --- (507) 381-7960

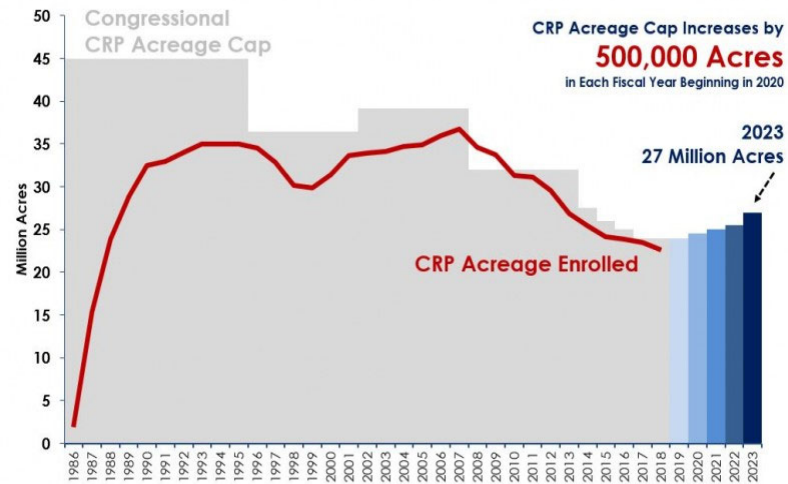
E-Mail --- [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com)

## FARM BILL TITLES



- I. Commodities
- II. Conservation
- III. Trade
- IV. Nutrition
- V. Credit
- VI. Rural Development
- VII. Research, Ext., Etc.
- VIII. Forestry
- IX. Energy
- X. Horticulture
- XI. Crop Insurance
- XII. Miscellaneous

**Figure 4. Acreage Enrolled in CRP and Expansion Provided by 2018 Farm Bill**

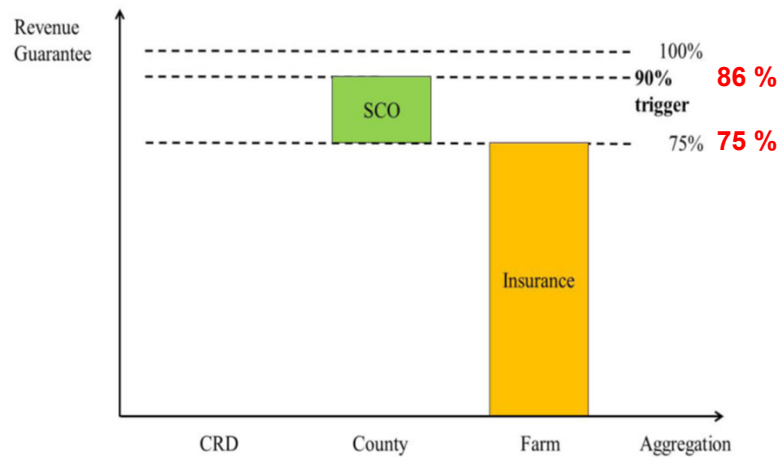


Source: USDA FSA, Farm Bureau Calculations, 2018 Farm Bill

## **FSA DIRECT & GUARANTEED LOANS (Credit Title)**

- Direct Farm Ownership Loan (FO) limits increased to **\$600,000** (from \$300,000).
- Guaranteed FO Loan limits increased to **\$1,750,000** (from \$700,000).
- Direct Farm Operating Loan (OL) limits increased to **\$400,000** (from \$300,000).
- Guaranteed OL Loan limits increased to **\$1,750,000** (from \$700,000).
- FSA Loan availability will still depend on annual Federal funding allocations for the FSA Loan program.

## NO MAJOR CHANGES TO CROP INSURANCE SCO EXAMPLE



## Dairy & Livestock Programs



- The Dairy Margin Coverage (DMC) program replaces the Dairy Margin Protection Program (MPP).
- Added provisions for management of pandemic livestock diseases.

## DAIRY MARGIN COVERAGE (DMC)

### DMC Program

- Coverage Level up to 95% of production history.
- Price coverage level from \$4.00 to \$9.50/cwt.
- Tier 1 coverage = 5 M. lbs.  
(approx. 200-250 cows)  
Addl. lbs. at \$8.00/cwt.
- Est. Premium Amounts:  
\$4.00/cwt. = Free  
\$6.50/cwt. = \$.04  
\$8.00/cwt. = \$.10  
\$9.50/cwt. = \$.15 (\$11.25)  
\* MN Rebate Premium Program

### MPP Program

- Coverage Level 25% to 90% of production history.
- Price coverage level from \$4.00 to \$8.00/cwt.
- Tier 1 coverage = 4 M. lbs.  
No option for addl. Lbs.
- Est. Premium Amounts:  
\$4.50/cwt. = Free  
\$6.50/cwt. = \$.04  
\$8.00/cwt. = \$.142  
\$9.50/cwt. = N/A

## ARC-CO vs PLC Program for 2019 & Beyond



## Upgrades to ARC-CO & PLC Programs

- **Option to change the Farm Program Choice.**
  - Choose ARC-CO or PLC for 2019 and 2020 (2 years).
  - Annual choice for 2021-2023.
- **Changes to FSA and Benchmark Yields.**
  - Updated FSA program yields for 2020 (Ave. yields 2013-2017).
  - Corn & Soybeans = x.81; Wheat = x.90
  - Use of RMA yields rather than NASS yields for ARC-CO.
  - Use “trend-adjusted” yield data rather than olympic ave. yields.
  - “Plug Yields” will be 80% of ave. yields rather than 70%.
- **Potential to increase PLC Reference Prices.**
  - Reference prices will be the greater of .....  
5-year Olympic Ave. MYA price x .85 or Current Reference Price.
  - Max. increase is the current ref. price x 115%.

## Increased Reference Prices 2019 - 2023

	Minimum Ref. Price (Current)	X 115% (Max.)	MYA Price X .85 (Est.)
Corn	\$3.70	\$4.26	\$2.92
Soybeans	\$8.40	\$9.66	\$7.86
Wheat	\$5.50	\$6.33	\$4.18



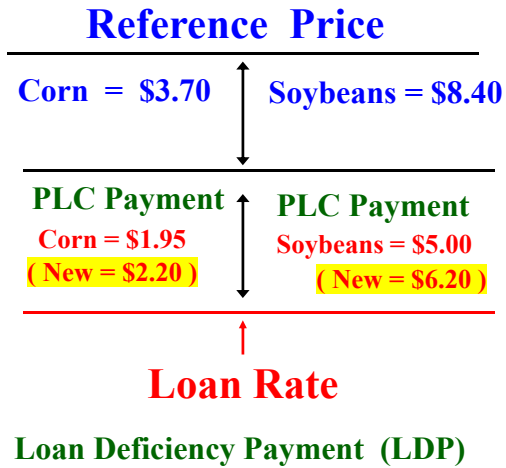
## Upgrades to ARC-CO & PLC Programs

- **Other Farm Program Provisions.**
  - Crop base acres will remain the same for 2019-2023.
  - Crop base acres that have been in grass can be switched to CSP.
  - ARC-CO payments will be based on the physical location of the farm.
- **Payment Limits & Qualifications.**
  - Max. payment level will remain at \$125,000 per individual or entity.
  - Expands “family members” --- nieces, nephews, cousins, etc.
  - Must still meet “actively engaged” requirements.
  - AGI max. is still \$900,000.
- **Increase CCC National Loan Rates.**
  - Higher loan rates increase \$\$\$ available through CCC Loans.
  - Higher loan rates decrease potential exposure for PLC payments, but increase the threshold price for LDP payments.

## Increased CCC National Loan Rates 2019 - 2023

	Current Loan Rate	New Loan Rate	% Increase
Corn	\$1.95	\$2.20	+ 13%
Soybeans	\$5.00	\$6.20	+ 24%
Wheat	\$2.94	\$3.38	+ 15%

## PLC Reference Prices and Payments for Corn & Soybeans



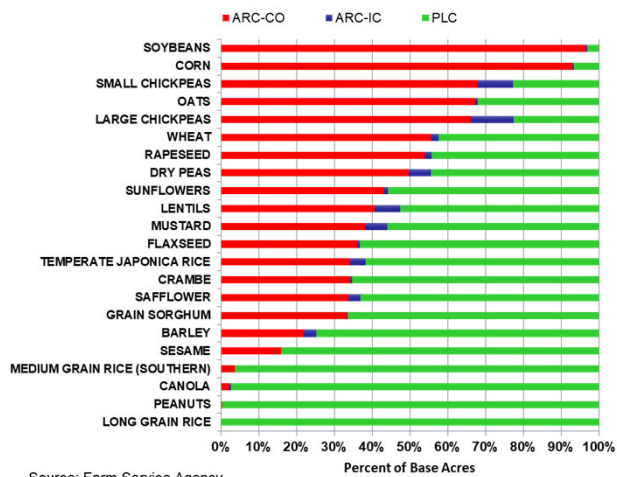
## 2014-2018 FARM PROGRAM ELECTION

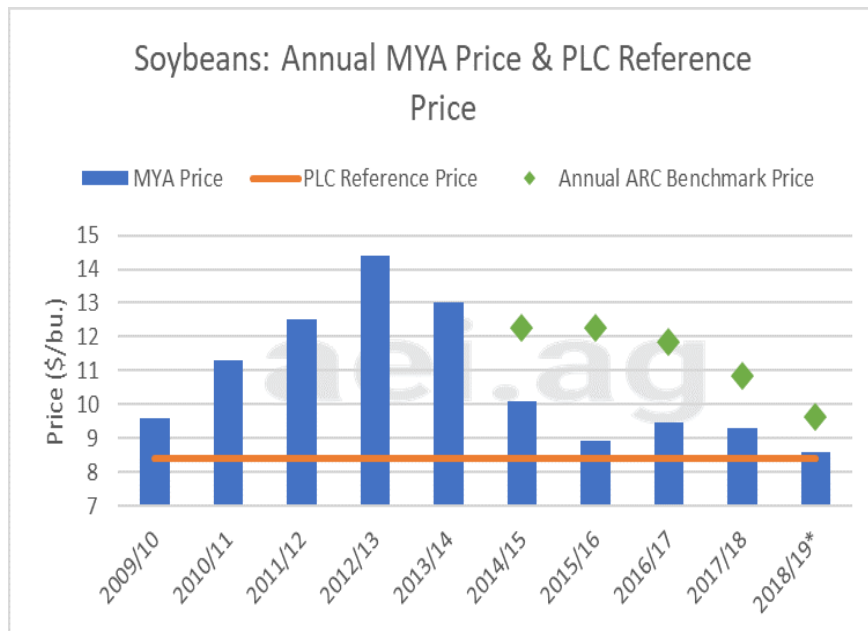
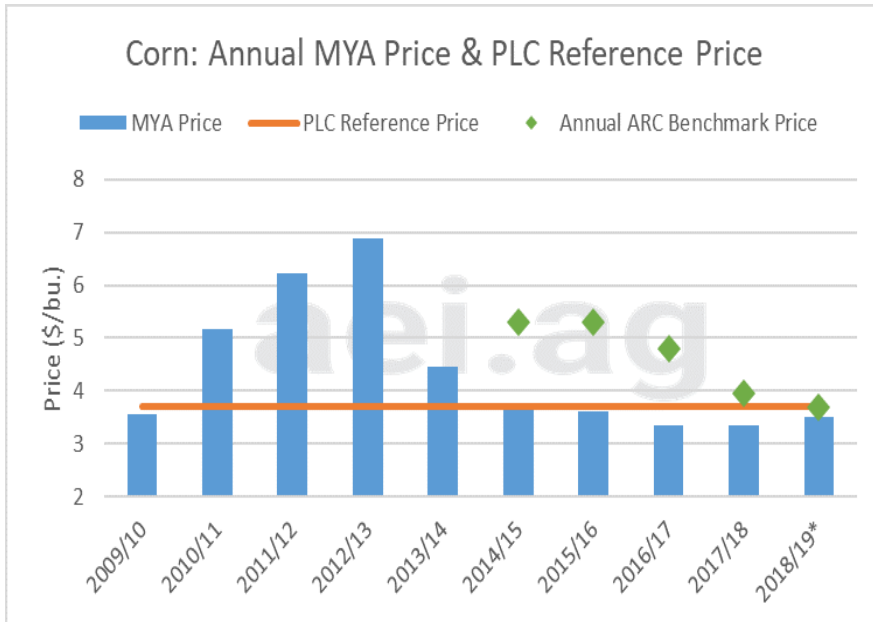
✓ High BM Prices =  
Favored ARC-CO  
(2014-2015)

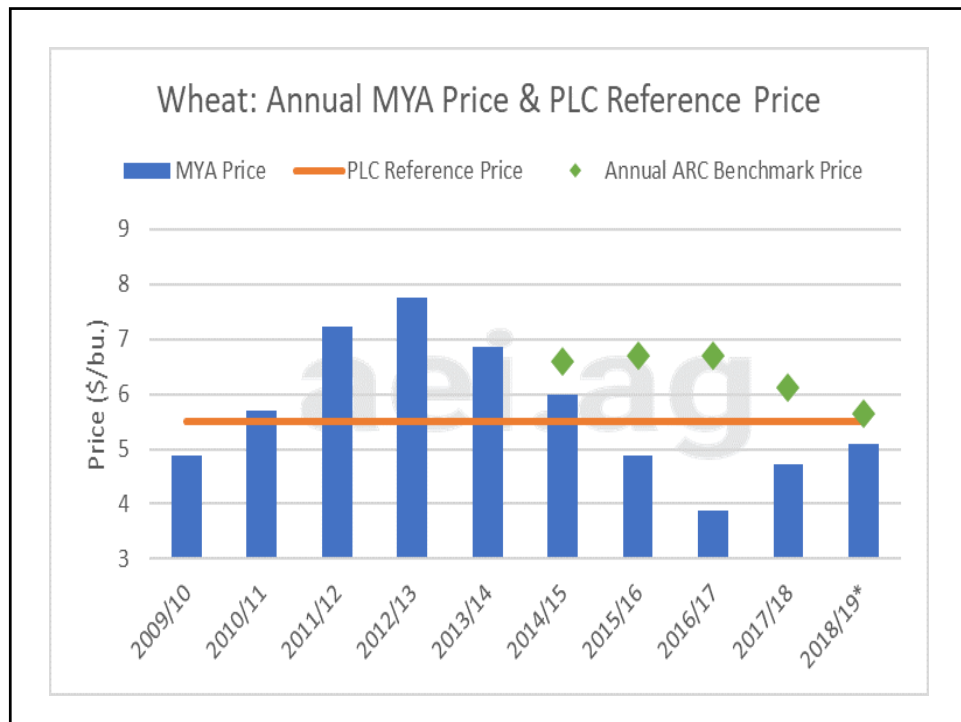
✓ Lower BM Prices =  
Favor more PLC  
(2019-2020)

✓ 2019 Crop Yields  
are a "Wild Card"

Figure 1. Percent of Base Acres Enrolled in ARC and PLC.







### MYA Prices (2014 – 2018)

Year	Corn	Soybeans	Wheat
2014	\$3.70	\$10.10	\$5.99
2015	\$3.61	\$8.95	\$4.89
2016	\$3.36	\$9.47	\$3.89
2017	\$3.36	\$9.33	\$4.72
2018 (est.)	\$3.60	\$8.50	\$5.20
Olympic Ave. Ref. Price (2019)	\$3.52 (\$3.70)	\$9.25 (\$8.40)	\$4.94 (\$5.50)

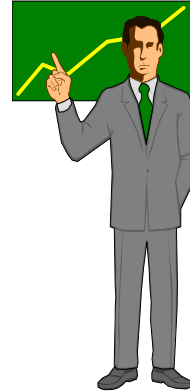
## The ARC-CO or PLC Decision

*What do the falling Benchmark*

*Prices mean for the*

*ARC-CO or PLC Decision*

*for 2019 and 2020 ?*



## Corn Example I (2019 – 2020)

Est. Payment per Base Acre --- Ave. Yield Year (BM)  
(190 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (190 BM Yield) (\$3.70 BM Price)	<b>PLC</b> (160 FSA Yield) (\$3.70 Ref. Price)	<b>PLC Adv.</b>
<b>\$3.70+</b> (190 Bu./A)	<b>0</b>	<b>0</b>	<b>0</b>
<b>\$3.50</b> (190 Bu./A)	<b>0</b>	<b>\$27.20</b>	<b>+ \$27.20</b>
<b>\$3.30</b> (190 Bu./A)	<b>0</b>	<b>\$54.40</b>	<b>+ \$54.40</b>
<b>\$3.10</b> (190 Bu./A)	<b>\$13.24</b> (Max. = \$59.76)	<b>\$81.60</b> (Max. = \$204.00)	<b>+ \$68.36</b>



## Corn Example II (2019 – 2020)

Est. Payment per Base Acre --- **Low Yield Year (10+% Drop)**  
(190 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (190 BM Yield) (\$3.70 BM Price)	<b>PLC</b> (160 FSA Yield) (\$3.70 Ref. Price)	<b>PLC Adv.</b>
<b>\$3.70+</b> (170 Bu./A)	<b>0</b>	<b>0</b>	<b>0</b>
<b>\$3.50</b> (170 Bu./A)	<b>\$8.14</b>	<b>\$27.20</b>	<b>+ \$19.06</b>
<b>\$3.30</b> (170 Bu./A)	<b>\$37.04</b>	<b>\$54.40</b>	<b>+ \$17.36</b>
<b>\$3.10</b> (170 Bu./A)	<b>\$59.76</b> (Max. = \$59.76)	<b>\$81.60</b> (Max. = \$204.00)	<b>+ \$21.84</b>

## Corn Example III (2019 – 2020)

Est. Payment per Base Acre --- **Really Low Yield Year (20+% Drop)**  
(190 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (190 BM Yield) (\$3.70 BM Price)	<b>PLC</b> (160 FSA Yield) (\$3.70 Ref. Price)	<b>PLC Adv.</b>
<b>\$3.80</b> (150 Bu./A)	<b>\$29.39</b>	<b>0</b>	<b>&lt;\$29.39&gt;</b>
<b>\$3.70</b> (150 Bu./A)	<b>\$42.14</b>	<b>0</b>	<b>&lt;\$42.14&gt;</b>
<b>\$3.50</b> (150 Bu./A)	<b>\$59.76</b>	<b>\$27.20</b>	<b>&lt;\$32.56&gt;</b>
<b>\$3.30</b> (150 Bu./A)	<b>\$59.76</b> (Max. = \$59.76)	<b>\$54.40</b> (Max. = \$204.00)	<b>&lt;\$5.36&gt;</b>

## Reasons to choose PLC for Corn .....

- Think the final MYA price will be below \$3.70/Bu.

(MYA price has been \$3.70 or lower from 2014-17.)

(2018 MYA Price projected at \$3.60/Bu. (as of 6-01-19.)

(2019 MYA Price estimated at \$3.80/Bu. (as of 6-01-19)



- Have high FSA program yields.
- Feel County Ave. yields will be near or above BM yields.
- Want price protection from \$3.70/Bu. to \$2.20/Bu.

## Reasons to choose ARC-CO for Corn .....

- Think the final MYA price will be near \$3.70/Bu. or above.

(MYA price has been \$3.70 or lower from 2014-17.)

(2018 MYA Price projected at \$3.60/Bu. (as of 6-01-19.)

(2019 MYA Price estimated at \$3.80/Bu. (as of 6-01-19)



- County has high BM yield relative to FSA farm yields.
- Feel 2019 County Ave. yields will be over 10% below BM yields.
- Not worried about price protection.

## Soybean Example I (2019 – 2020)

Est. Payment per Base Acre --- **Ave. Yield Year (BM)**

(55 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (55 BM Yield) (\$9.25 BM Price)	<b>PLC</b> (48 FSA Yield) (\$8.40 Ref. Price)	<b>PLC Adv.</b>
<b>\$8.40+</b> (55 Bu./A)	<b>0</b>	<b>0</b>	<b>0</b>
<b>\$8.25</b> (55 Bu./A)	<b>0</b>	<b>\$6.12</b>	<b>+ \$6.12</b>
<b>\$8.00</b> (55 Bu./A)	<b>0</b>	<b>\$16.32</b>	<b>+ \$16.32</b>
<b>\$7.80</b> (55 Bu./A)	<b>\$7.25</b> (Max. = \$43.25)	<b>\$24.48</b> (Max. = \$89.76)	<b>+ \$17.23</b>

## Soybean Example II (2019 – 2020)

Est. Payment per Base Acre --- **Low Yield Year (10% Drop)**

(55 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (55 BM Yield) (\$9.25 BM Price)	<b>PLC</b> (48 FSA Yield) (\$8.40 Ref. Price)	<b>PLC Adv.</b>
<b>\$8.40</b> (50 Bu./A)	<b>\$14.90</b>	<b>0</b>	<b>&lt;\$14.90&gt;</b>
<b>\$8.25</b> (50 Bu./A)	<b>\$21.28</b>	<b>\$6.12</b>	<b>&lt;\$15.16&gt;</b>
<b>\$8.00</b> (50 Bu./A)	<b>\$31.90</b>	<b>\$16.32</b>	<b>&lt;\$15.58&gt;</b>
<b>\$7.80</b> (50 Bu./A)	<b>\$40.40</b> (Max. = \$43.25)	<b>\$24.48</b> (Max. = \$89.76)	<b>&lt;\$15.92&gt;</b>

## Soybean Example III (2019 – 2020)

Est. Payment per Base Acre --- **Really Low Yield (20% Drop)**

(55 Bu./A. BM Yield)

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (55 BM Yield) (\$9.25 BM Price)	<b>PLC</b> (48 FSA Yield) (\$8.40 Ref. Price)	<b>PLC Adv.</b>
<b>\$9.00</b> (45 Bu./A)	<b>\$27.65</b>	<b>0</b>	<b>&lt;\$27.65&gt;</b>
<b>\$8.80</b> (45 Bu./A)	<b>\$35.30</b>	<b>0</b>	<b>&lt;\$35.30&gt;</b>
<b>\$8.60</b> (45 Bu./A)	<b>\$42.95</b>	<b>0</b>	<b>&lt;\$42.95&gt;</b>
<b>\$8.40</b> (45 Bu./A)	<b>\$43.25</b> (Max. = \$43.25)	<b>0</b> (\$7.34/Bu.) (Max. = \$89.76)	<b>&lt;\$43.25&gt;</b>

## Reasons to choose PLC for Soybeans .....

- Think the final MYA price will be below \$8.40/Bu.

(MYA price has been above \$8.40 from 2014-17.)

(2018 MYA Price projected at \$8.50/Bu. (as of 6-01-19.)

(2019 MYA Price estimated at \$8.25/Bu. (as of 6-01-19)



- Have high FSA program yields.
- Feel County Ave. yields will be near or above BM yields.
- **Want price protection from \$8.40/Bu. to \$6.20/Bu.**

## Reasons to choose ARC-CO for Soybeans .....

- Think the final MYA price will be near \$8.40/Bu. or above.

(MYA price has been above \$8.40 from 2014-17.)

(2018 MYA Price projected at \$8.50/Bu. (as of 6-01-19.)

(2019 MYA Price estimated at \$8.25/Bu. (as of 6-01-19)



- County has high BM yields relative to FSA farm yields.
- Feel 2019 County Ave. yields will be below BM yields.
- Not worried about price protection.

## Wheat Example I (2019 – 2020)

Est. Payment per Base Acre --- Ave. Yield Year (BM)

(60 Bu./A. BM Yield)

MYA Price (Final Yield)	ARC-CO (60 BM Yield) (\$5.50 BM Price)	PLC (50 FSA Yield) (\$5.50 Ref. Price)	PLC Adv.
\$5.30 (60 Bu./A)	0	\$8.50	+ \$8.50
\$5.10 (60 Bu./A)	0	\$17.00	+ \$17.00
\$4.90 (60 Bu./A)	0	\$25.50	+ \$25.50
\$4.70 (60 Bu./A)	\$1.80 (Max. = \$28.05)	\$34.00 (Max. = \$90.10)	+ \$32.20



## Wheat Example II (2019 – 2020)

Est. Payment per Base Acre --- **Low Yield Year (10 Bu./A Drop)**  
**(60 Bu./A. BM Yield)**

<b>MYA Price</b> (Final Yield)	<b>ARC-CO</b> (60 BM Yield) (\$5.50 BM Price)	<b>PLC</b> (50 FSA Yield) (\$5.50 Ref. Price)	<b>PLC Adv.</b>
<b>\$5.30</b> (50 Bu./A)	<b>\$15.98</b>	<b>\$8.50</b>	<b>&lt;\$7.48&gt;</b>
<b>\$5.10</b> (50 Bu./A)	<b>\$24.48</b>	<b>\$17.00</b>	<b>&lt;\$7.48&gt;</b>
<b>\$4.90</b> (50 Bu./A)	<b>\$28.05</b>	<b>\$25.50</b>	<b>&lt;\$2.55&gt;</b>
<b>\$4.70</b> (50 Bu./A)	<b>\$28.05</b> (Max. = \$28.05)	<b>\$34.00</b> (Max. = \$90.10)	<b>+ \$5.95</b>

## Reasons to choose PLC for Wheat .....

- Think the final MYA price will be below \$5.50/Bu.

(MYA price has been below \$5.50 from 2015-17.)  
 (2018 MYA Price projected at \$5.20/Bu. (as of 6-01-19.)  
 (2019 MYA Price estimated at \$5.10/Bu. (as of 6-01-19)



- Have high FSA program yields.
- Feel County Ave. yields will be near or above BM yields.
- Want price protection from \$5.50/Bu. to \$3.38/Bu.

## Reasons to choose ARC-CO for Wheat .....

- Think the final MYA price will be near \$5.50/Bu. or above.

(MYA price has been below \$5.50 from 2015-17.)

(2018 MYA Price projected at \$5.20/Bu. (as of 6-01-19.)

(2019 MYA Price estimated at \$5.10/Bu. (as of 6-01-19)

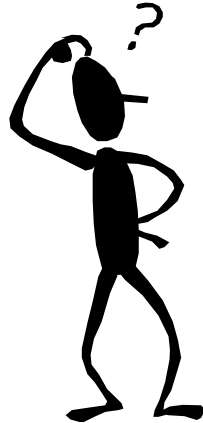


- County has high BM yields relative to FSA farm yields.
- Feel 2019 County Ave. yields will be somewhat below BM yields.
- Not worried about price protection.

## What About the ARC-IC Farm Program Choice ?

- Utilizes “Individual” farm data for all crops.  
(Entire Farm Unit must use the “Individual” option.)
- Benchmark Revenue = 5-Year “Olympic” Ave.  
(Ind. Yield x Nat. Ave. Price for all crops each year.)
- Payments triggered once the actual revenue falls 14 % below the benchmark revenue.  
(Actual Ind. Yield x Nat. Ave. Price totaled for all crops.)
- Payments occur from 86-76 % of Revenue (10%).
- Payment Factor --- Individual = 65 % of Base Acres.  
(ARC-CO Payment Factor is 85% of Base Acres.)

# QUESTIONS ?



**KENT THIESSE**

Phone --- (507) 381-7960

E-Mail --- [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com)

## Thank You !!!

Kent Thiesse  
Farm Mangement Analyst  
MinnStar Bank, Lake Crystal, MN  
[kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com)

