

# Ag Economic (and Policy) Outlook

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

**Ag Allies Conference**  
**NC Chamber**

**McKimmon Conference & Training Center**  
**Raleigh, NC**  
**October 11, 2024**

# If Anyone Has Ever Needed Allies, it's Agriculture...

Attacks from the Left and the Right



An advertisement for "American Boondoggle" featuring a cartoon illustration of Uncle Sam and a man in a suit. Uncle Sam is holding a pitchfork with dollar bills on it. The text reads "American Boondoggle" in a large, bold font, with "FIXING THE 2013 FARM BILL" in a smaller font below it. At the bottom, it says "TAKE THE QUIZ" with a right-pointing arrow. Navigation arrows are visible on the left and right sides of the illustration.



"farm" bill  
percent more  
bill in 2008.

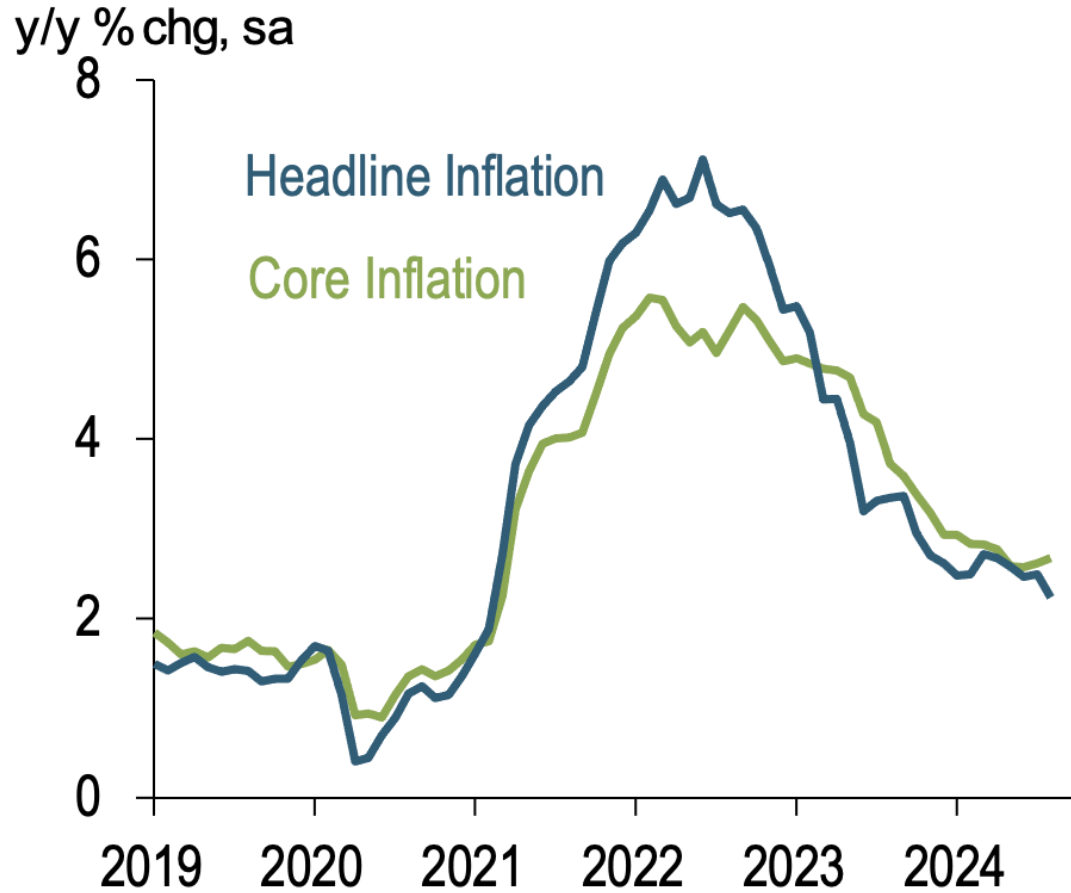
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# Macro Outlook

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# Inflation

## Moderating...but People Have Long Memories

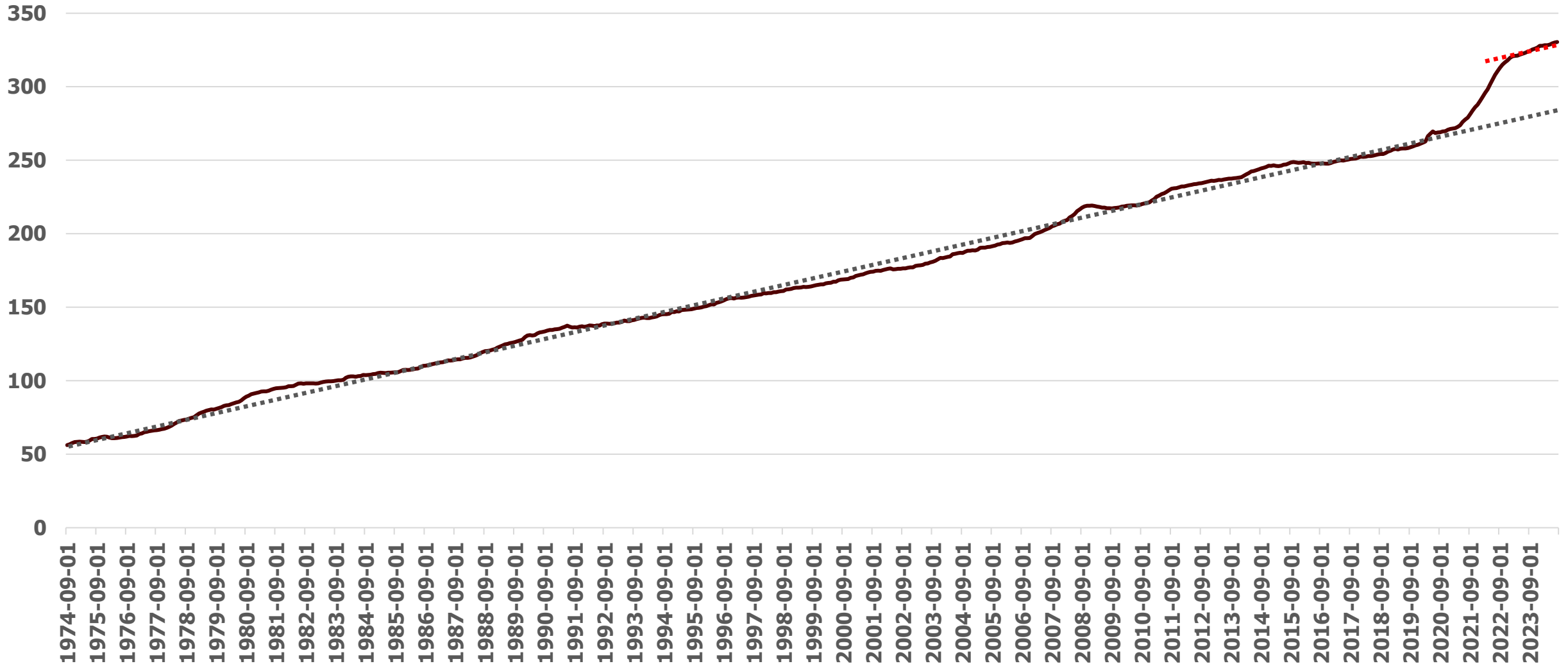


**Source:** Francisco Scott – KC Federal Reserve; BEA; Haver Analytics.

**Note:** Core inflation is the change in the costs of goods and services, but it does not include those from the food and energy sectors.

# Consumer Price Index for All Urban Consumers

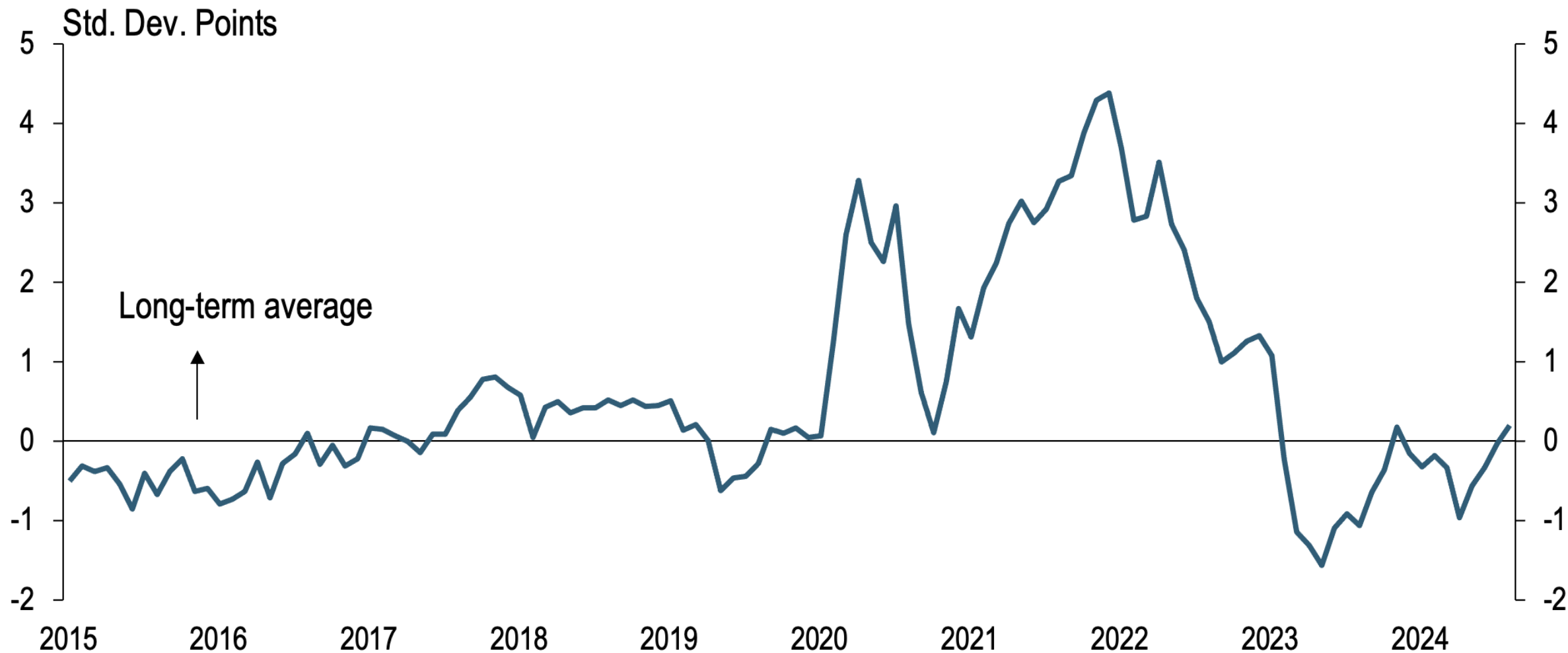
Food in U.S. City Average, Index 1982-1984=100, Monthly, Seasonally Adjusted



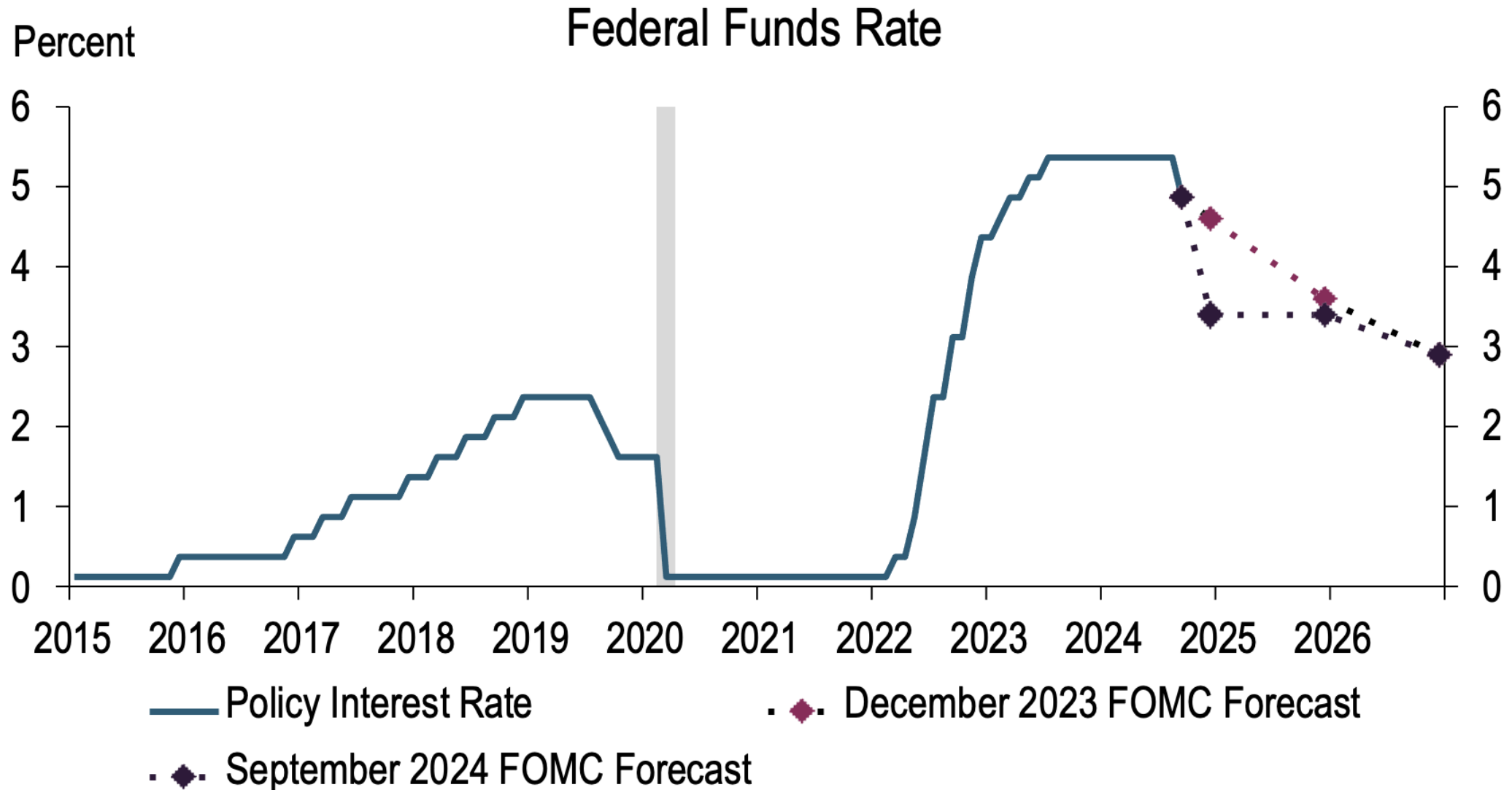
Source: Federal Reserve Economic Division.

# Global Supply Chain Pressure Index

## Supply Chains Have Returned to Historic Balance

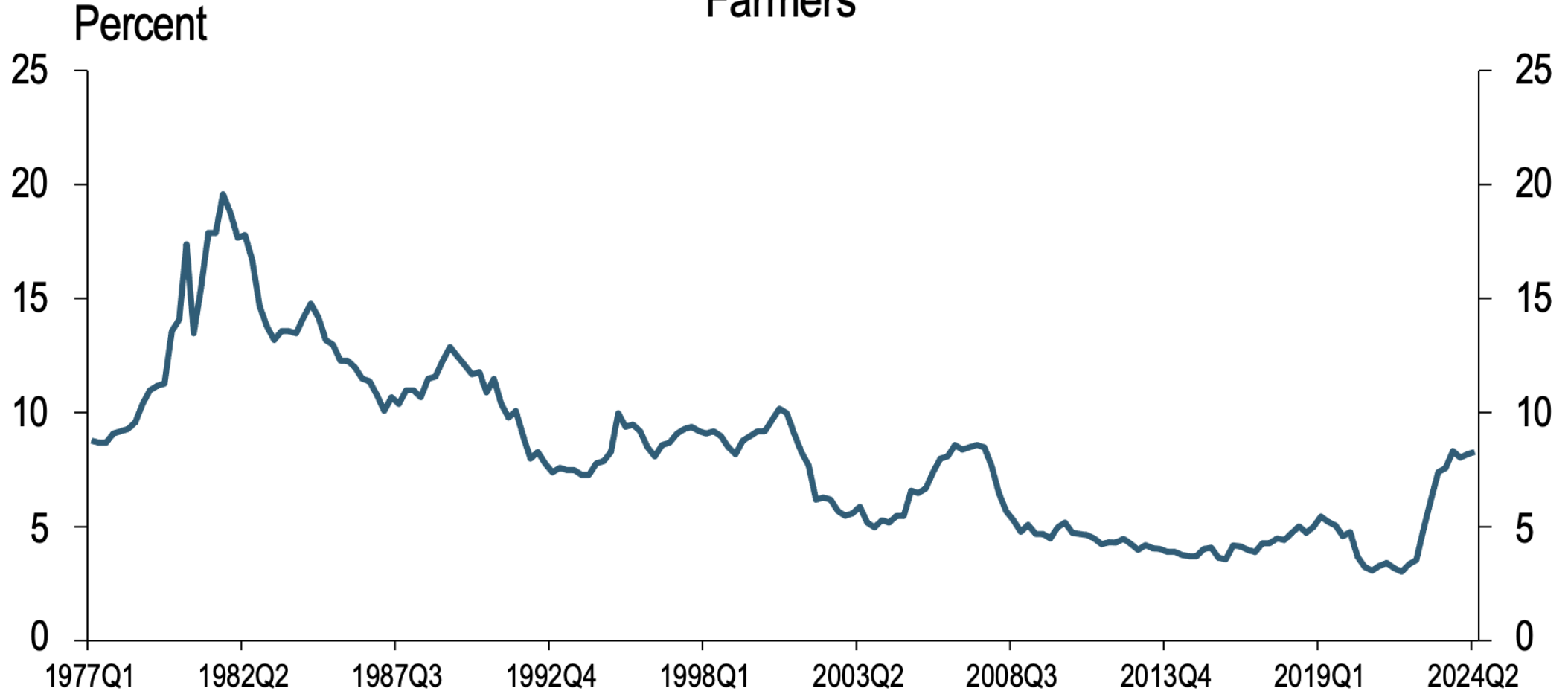


# Restrictive Monetary Policy



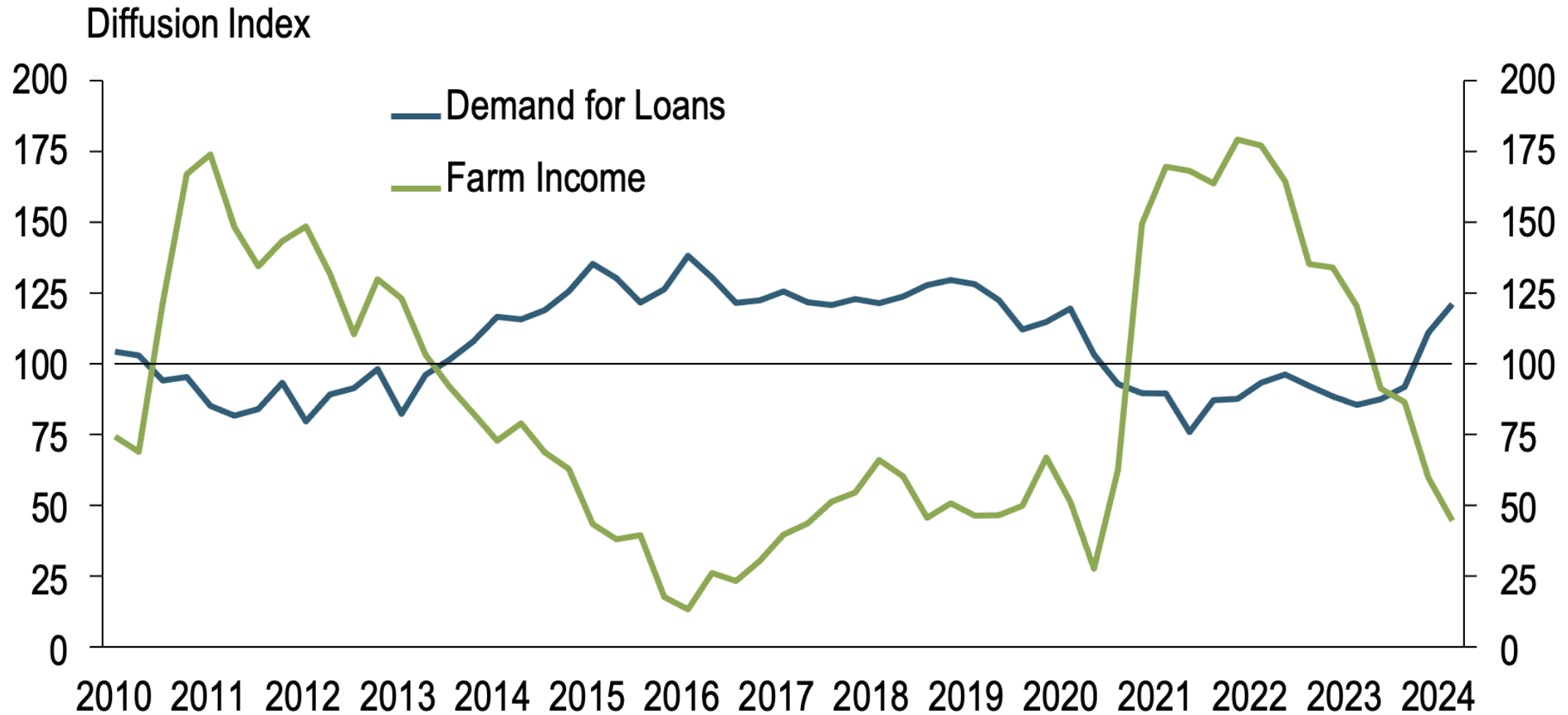
# Higher Interest Rates

Avg. Interest Rate on Non-Real Estate Bank Loans Made to Farmers



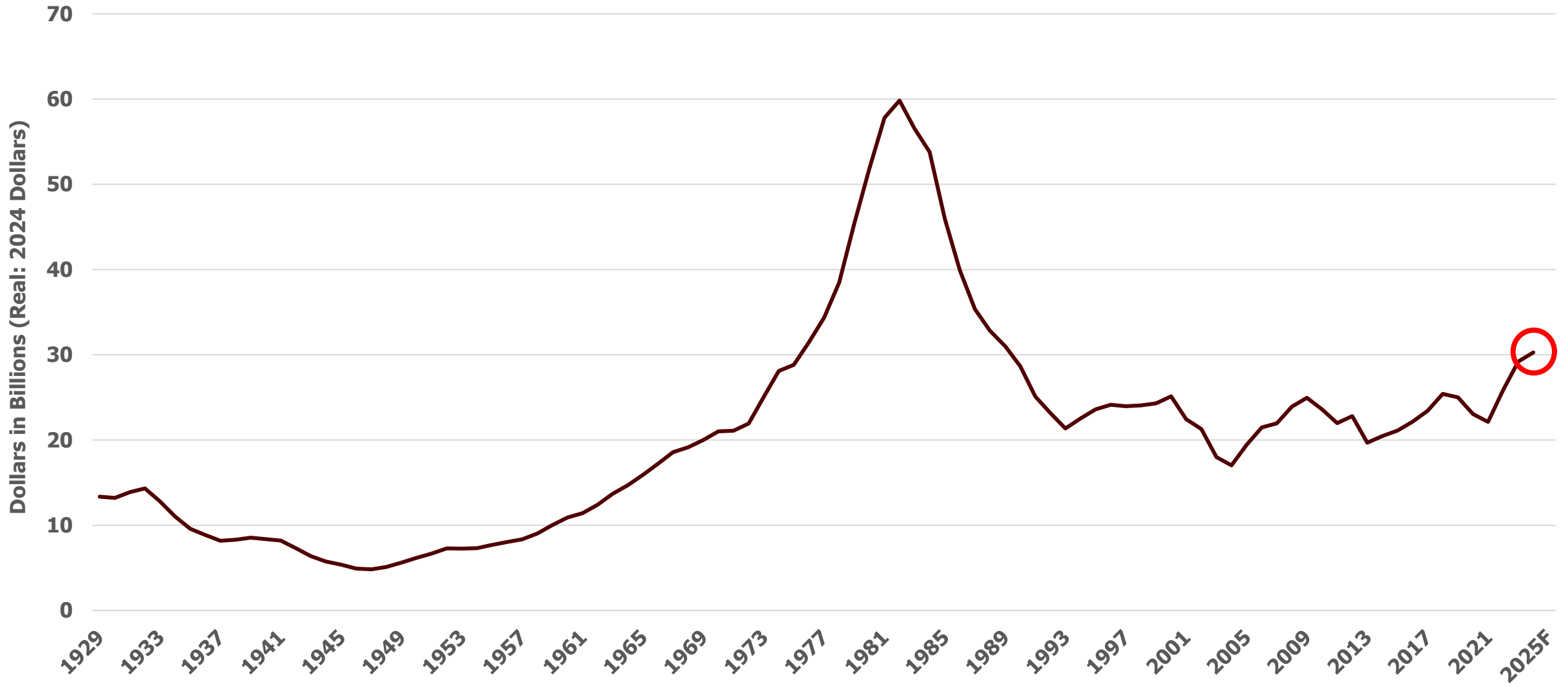


# Farm Income vs. Demand for Ag Loans



# Interest Expenses Weigh on Net Farm Income

## Highest Level Since 1980s



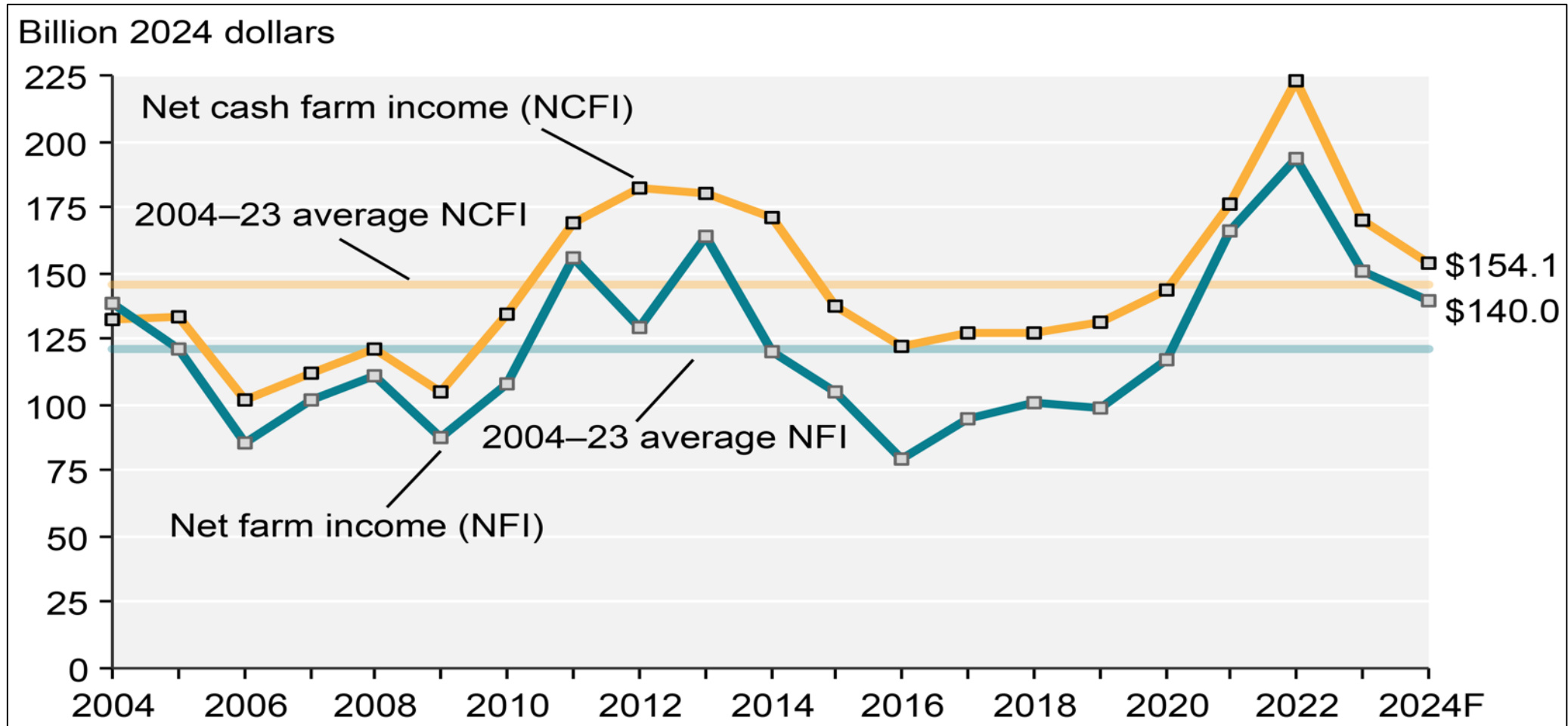
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.

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# **State of the Ag Economy**

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# U.S. Net Farm Income & Net Cash Farm Income, Inflation Adjusted, 2003/4-2024F

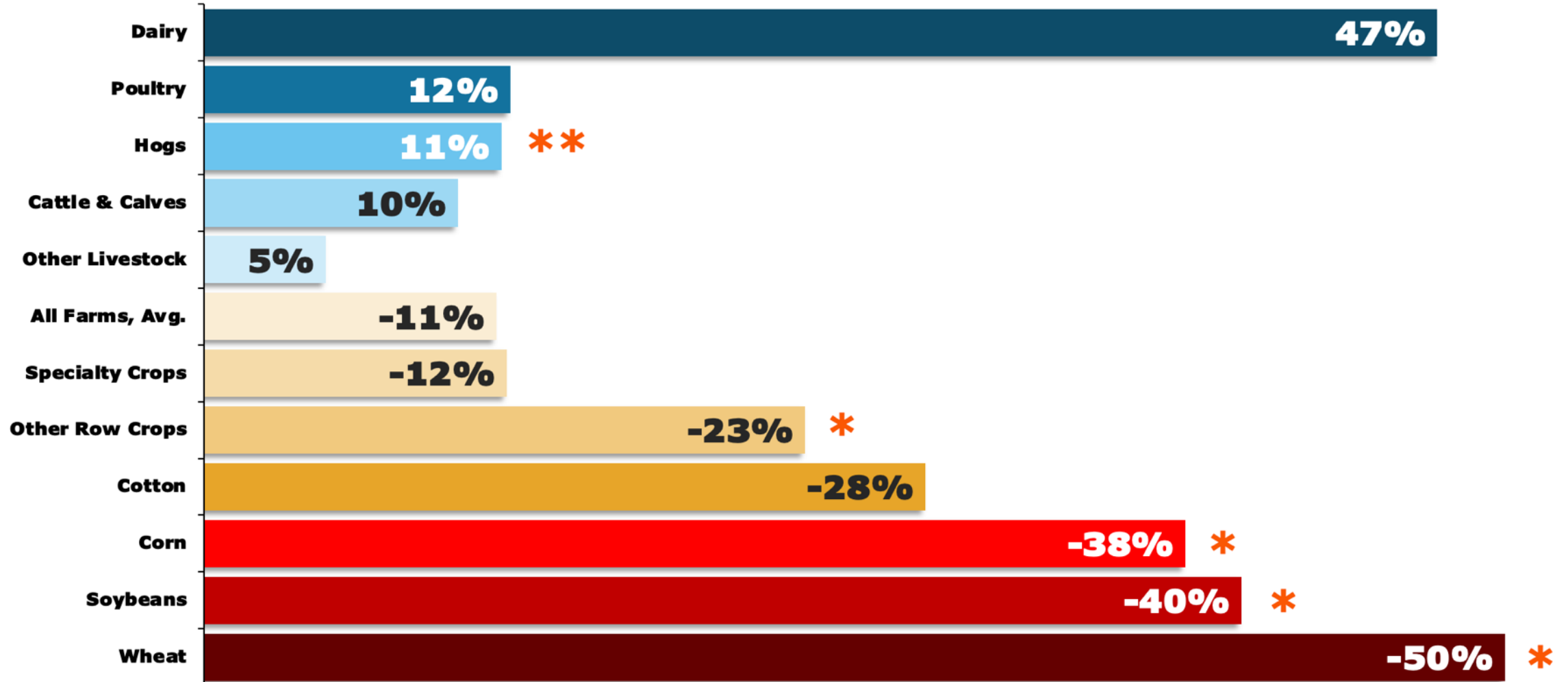


**Note:** F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.

**Source:** USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.

# Commodity-Level Changes in Farm Income

Percentage Change in Inflation-Adjusted Net Cash Farm Income by Commodity, 2023 to 2024



\*Lowest Level in Last 15 Years  
\*\*Second-Lowest in Last 15 Years

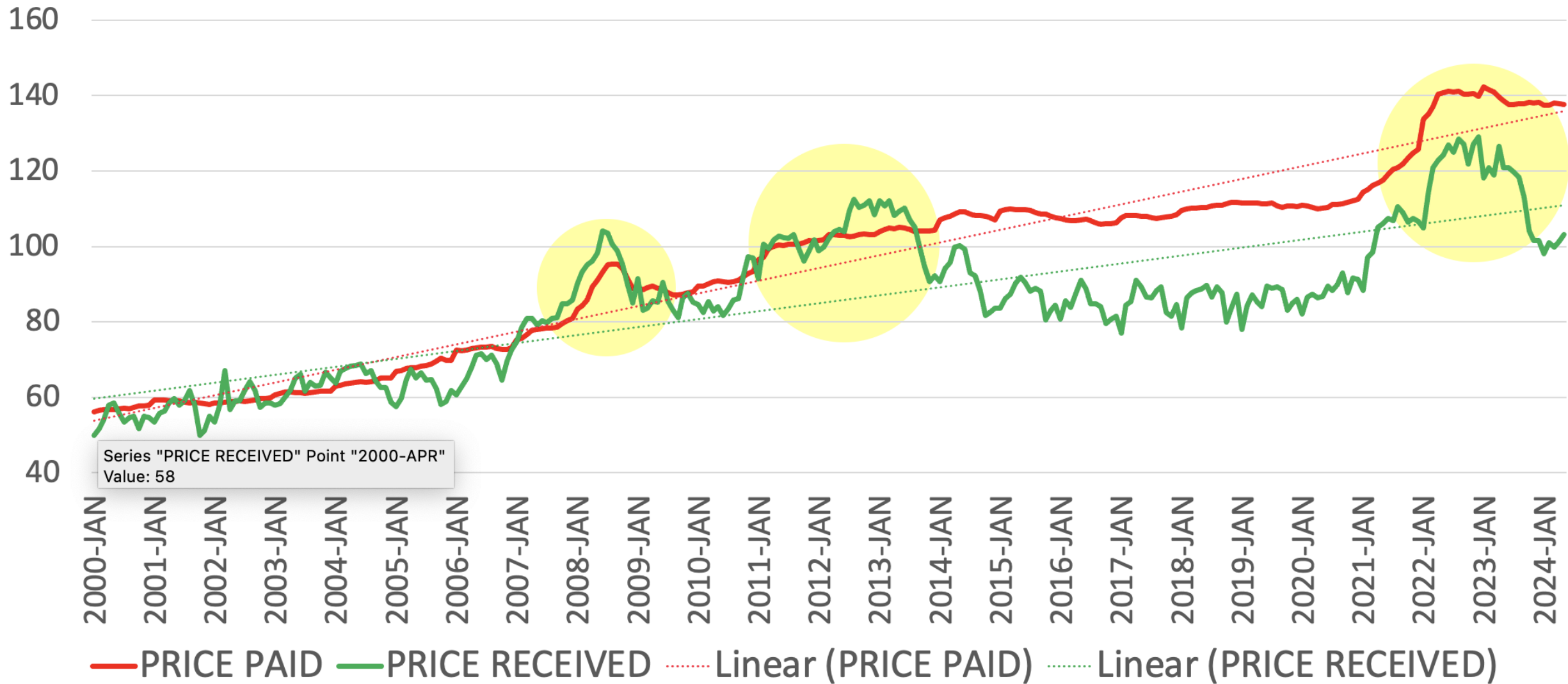
# Commodity Prices

Crop	2010/11- 2013/14 avg	2014/15- 2019/20 avg	2020/21	2021/22	2022/23	2023/24	2024/25 September WASDE	Δ2024/5
Corn (\$ / bu.)	5.69	3.53	4.53	6.00	6.54	4.65	4.10	-0.55 -11.8%
Soybeans (\$ / bu.)	12.80	9.15	10.80	13.30	14.20	12.50	10.80	-1.70 -13.6%
Sorghum (\$ / bu.)	5.40	3.32	5.04	5.94	6.38	4.90	4.10	-0.80 -16.3%
Wheat (\$ / bu.)	6.90	4.87	5.05	7.63	8.83	6.96	5.70	-1.26 -18.1%
Upland Cotton (¢/ lb)	80.1	64.8	66.3	91.4	84.5	76.0	66.0	-10.0 -13.2%
All Rice (\$ cwt)	14.65	12.52	14.40	16.10	19.80	17.70	15.60	-2.10 -11.9%

Source: Dr. Seth Meyer, Chief Economist, U.S. Department of Agriculture

# Output and Input Prices for Agricultural Producers

2011=100



# Crop Cash Receipts

## Largest 2-Year Drop in History (2022-2024)

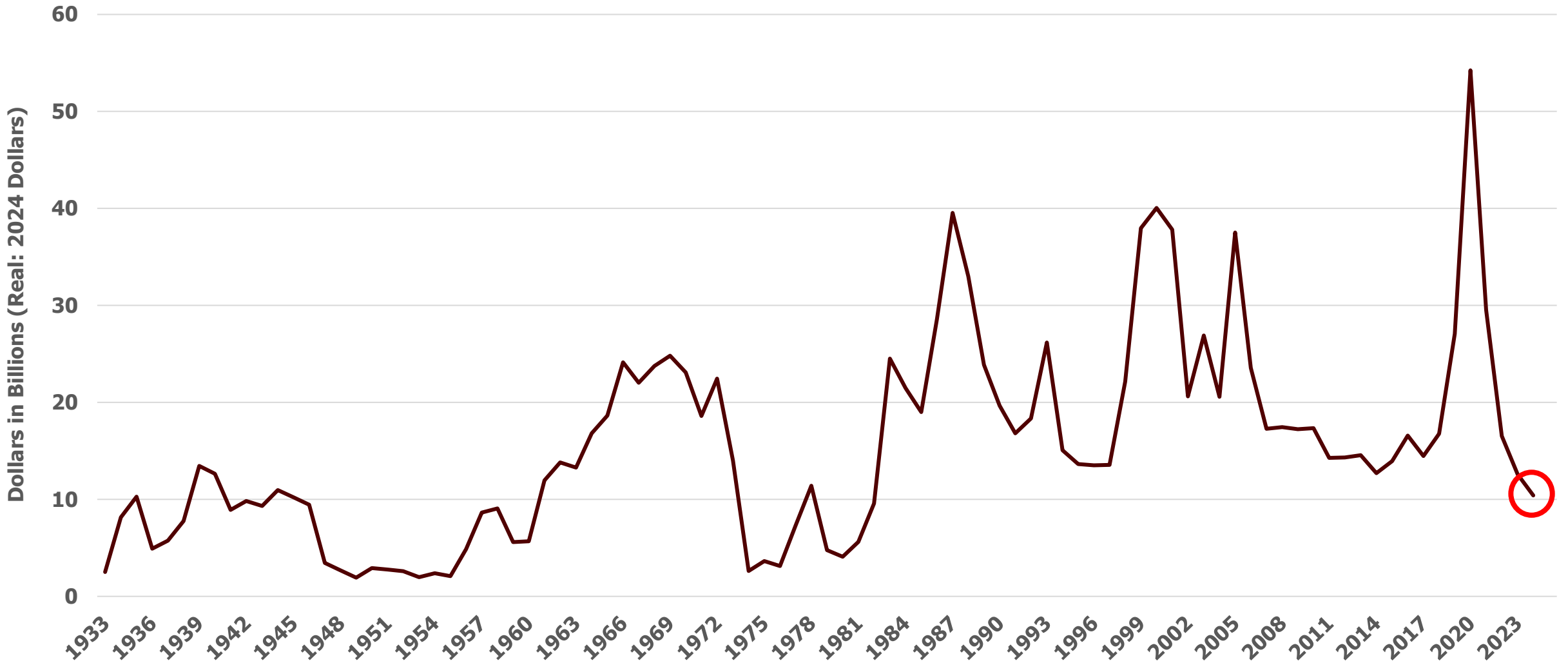


**Source:** USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.



# Direct Government Payments

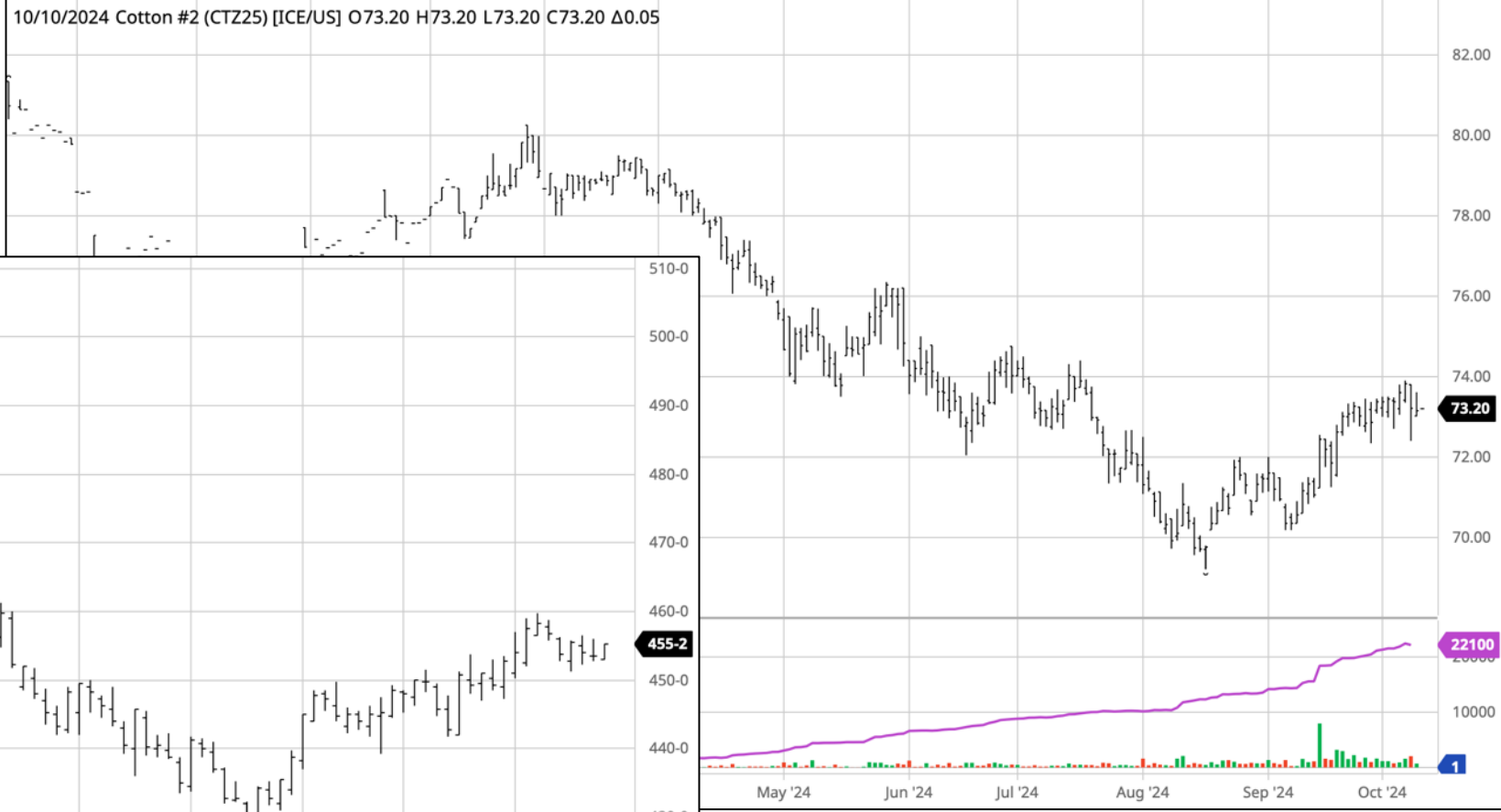
## Lowest Level Since 1982



**Source:** USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.

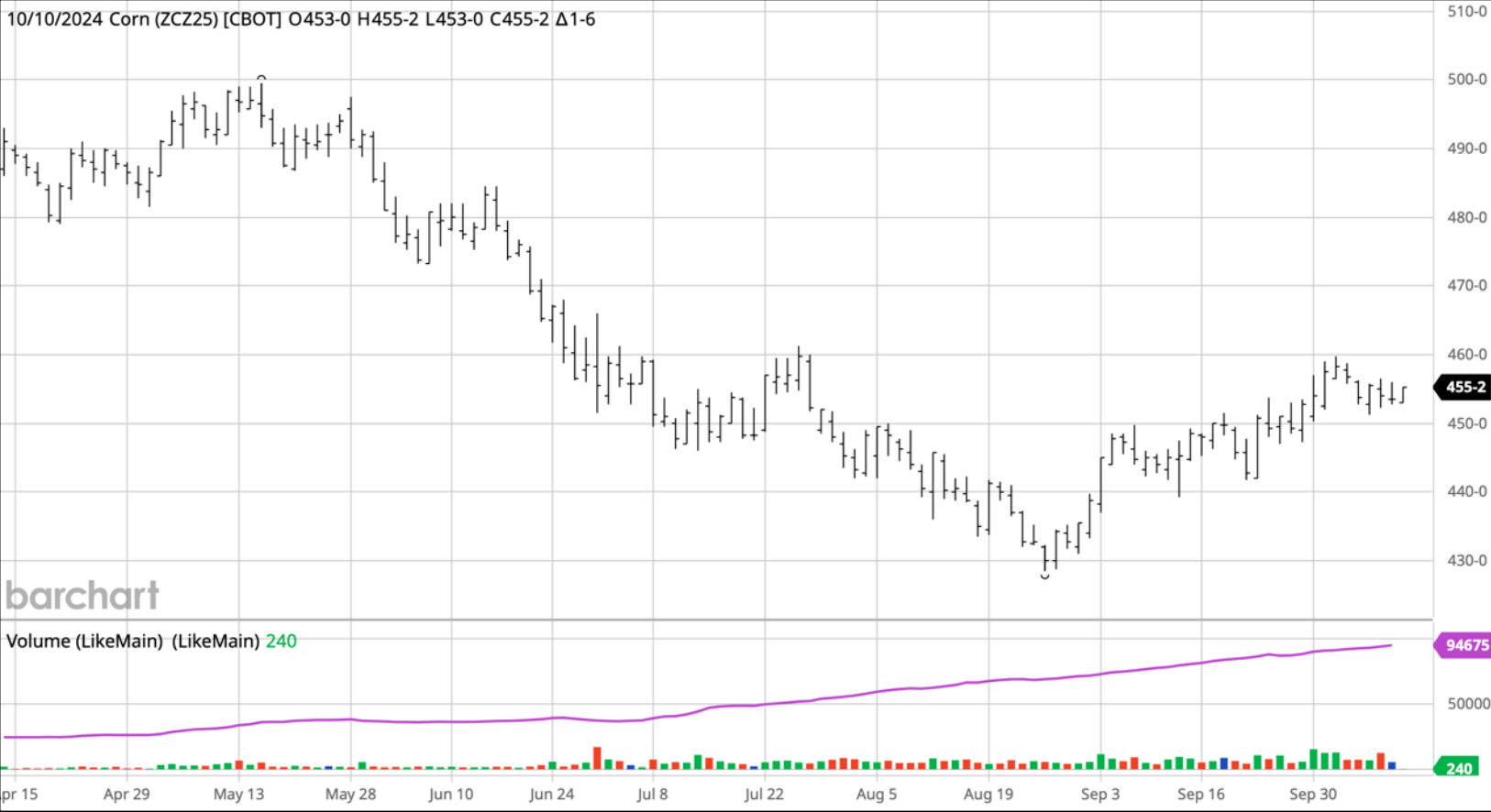
# Futures Prices

10/10/2024 Cotton #2 (CTZ25) [ICE/US] O 73.20 H 73.20 L 73.20 C 73.20 Δ 0.05



## Cotton (CTZ25)

## Corn (ZCZ25)



barchart

Volume (LikeMain) (LikeMain) 240

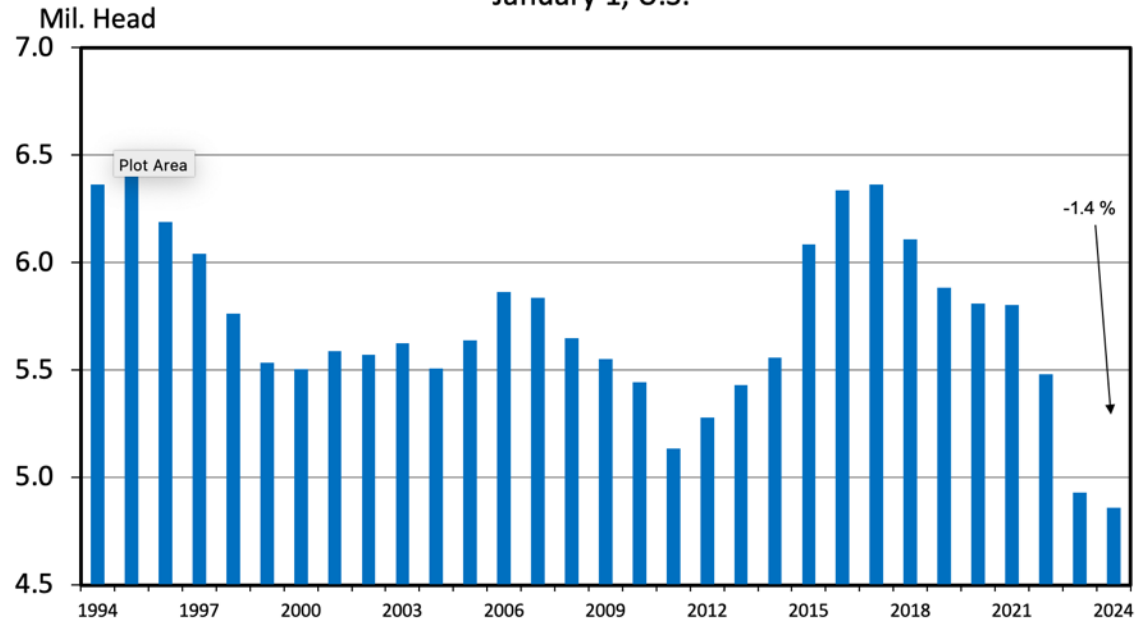
pr 15 Apr 29 May 13 May 28 Jun 10 Jun 24 Jul 8 Jul 22 Aug 5 Aug 19 Sep 3 Sep 16 Sep 30

# Bright(er) Spots: Livestock Markets

## Cattle

### HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

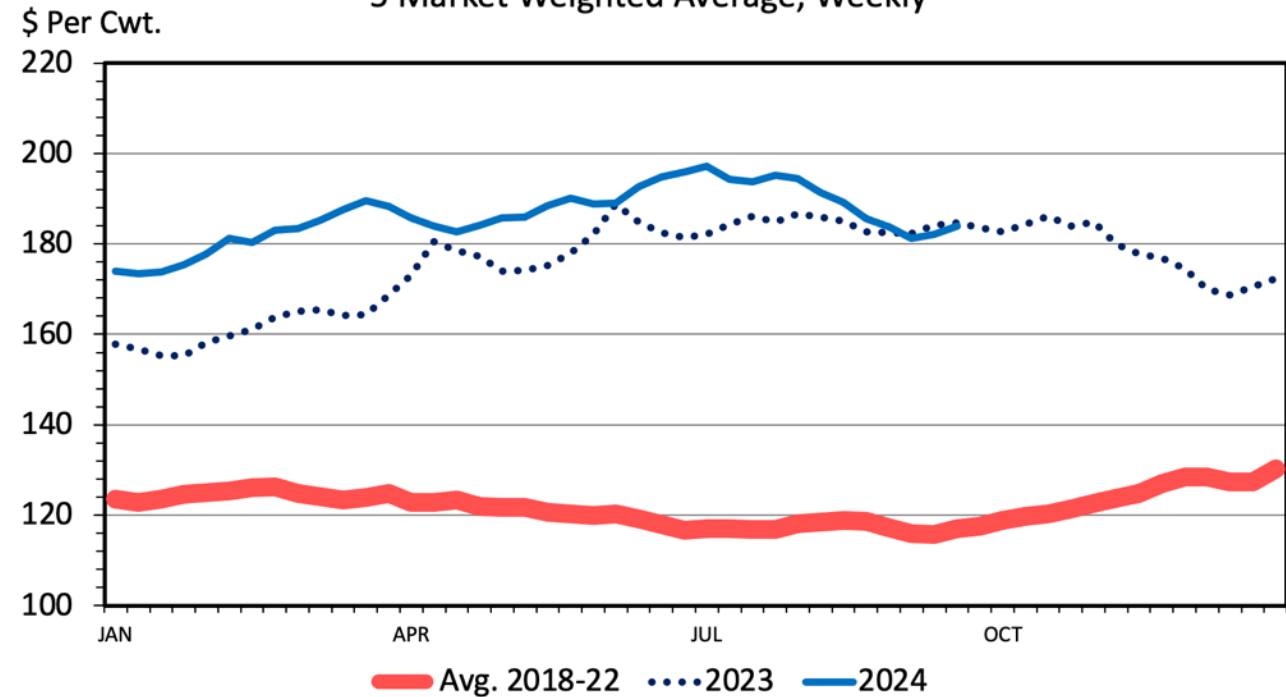


Data Source: USDA-NASS

Livestock Marketing Information Center

### SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



Data Source: USDA-AMS

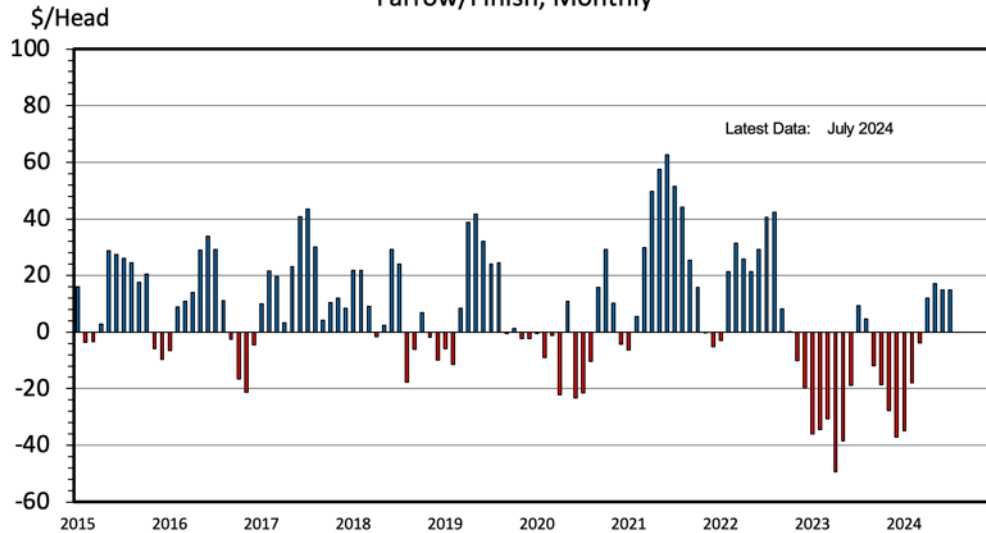
Livestock Marketing Information Center

09/23/24

# Bright(er) Spots: Livestock Markets

## Hogs

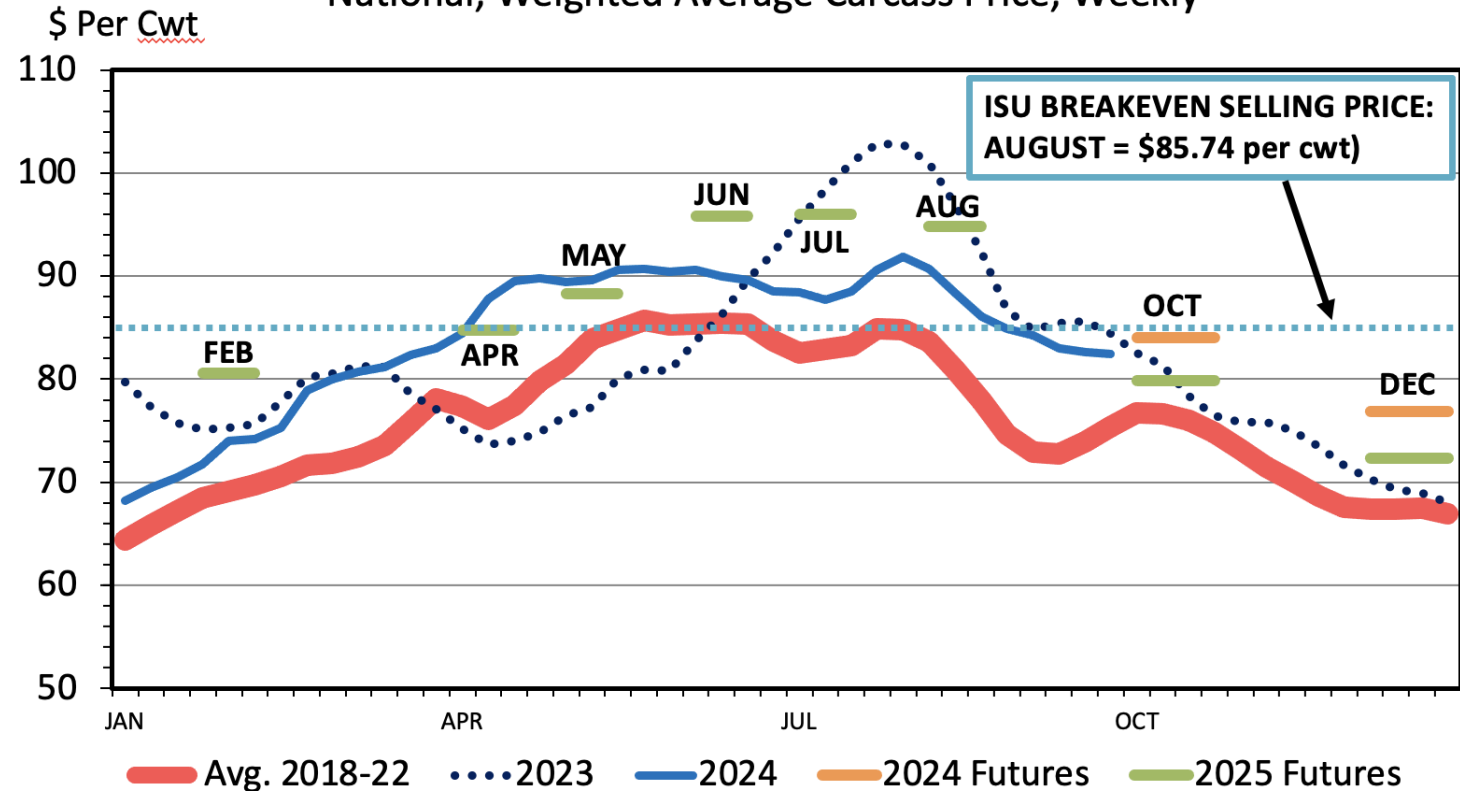
**IOWA MARKET HOG PROFIT**  
Farrow/Finish, Monthly



Data Source: Iowa State University  
Livestock Marketing Information Center

09/11/24

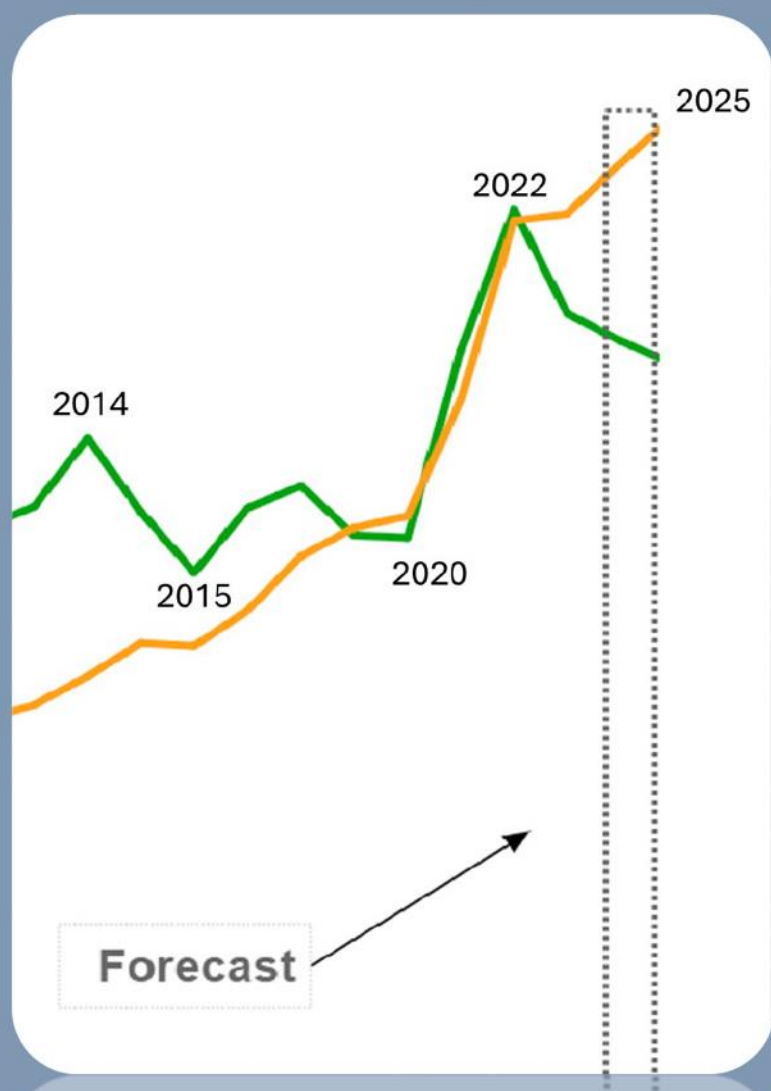
**BASE SLAUGHTER HOG PRICES**  
National, Weighted Average Carcass Price, Weekly



Data Source: USDA-AMS, CME, Compiled by LMIC

Livestock Marketing Information Center

# U.S. Agricultural Trade Outlook



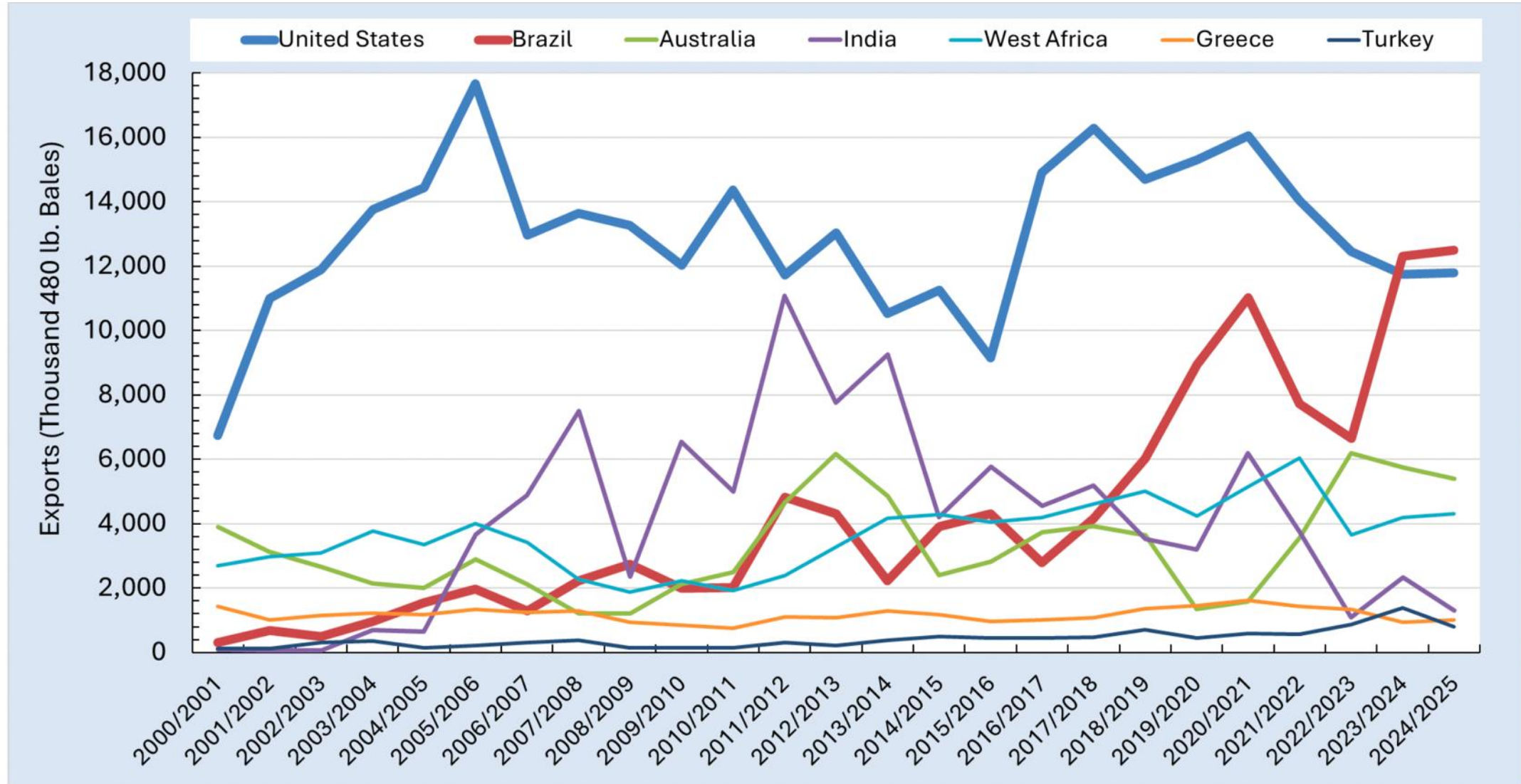
2021	2022	2023	Forecast fiscal year		2025
			2024	2025	
			May	August	August
Billion U.S. dollars					
171.8	196.1	178.2	170.5	173.5	169.5
163.3	194.1	195.3	202.5	204.0	212.0
8.5	2.0	-17.1	-32.0	-30.5	-42.5

8.2	5.0	-15.1	-35.0	-30.2	-45.2
163.3	194.1	195.3	202.5	204.0	212.0

Source: Dr. Andrew Muhammad, University of Tennessee.

# Brazil Competition: Cotton Example

## Cotton Exports (Top Countries): 2000/01 – 2024/25



# Themes

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- Inflation rates have come down but little consolation for both producers and consumers who have absorbed significant cost increases.
- Despite significant decrease in net farm income, it is still above average.
- With that said, the net farm income forecast masks significant declines in crop cash receipts (and robust returns in the livestock sector).
- Despite pressure on row crop producers, direct assistance is at a 42-year low, the lowest since the farm crisis of the 1980s.
- U.S. agriculture is facing multiple years of record trade deficits with growing competition from Brazil. China is becoming less dependent on U.S. agriculture, but U.S. agriculture remains dependent on China.

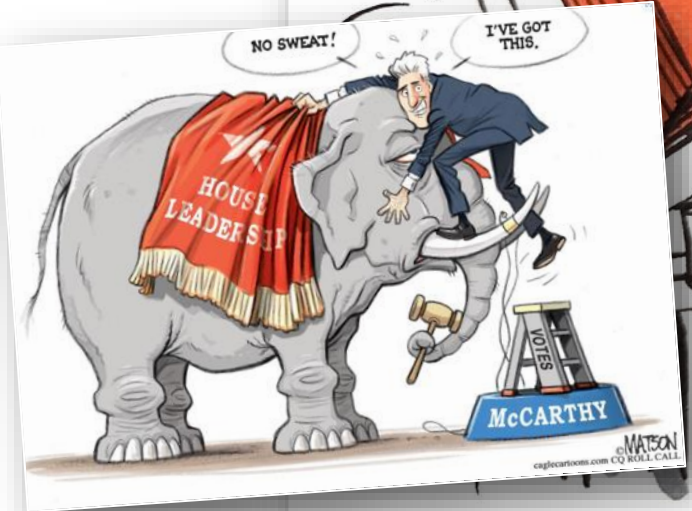
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# **What about the Farm Bill?**

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# What a year...



GLOBAL TIME

# Where are we in the process?



UNITED STATES SENATE COMMITTEE ON  
AGRICULTURE, NUTRITION, & FORESTRY

U.S. SENATOR DEBBIE STABENOW, CHAIRWOMAN

## The Rural Prosperity and Food Security Act

### Keeping Farmers Farming, Families Fed, and Rural Communities Strong:

- **Makes investments to strengthen the farm safety net;** supports beginning, underserved, and small farmers and ranchers; and focuses assistance on the farmers with dirt under their fingernails and not billionaire and foreign investors.
- **Helps families working hard to make ends meet** by investing in nutrition assistance that puts food on the table, increasing access to fruits and vegetables, and supporting people on their path to self-sufficiency while cracking down on bad actors.
- **Improves the quality of life in rural communities** by improving rural health care, childcare, and education; creating good paying jobs; expanding access to high-speed internet; and lowering costs for families and businesses.

### A Strong, Bipartisan Path Forward:

- **The Rural Prosperity and Food Security Act contains more than 100 bipartisan bills** to keep farmers farming, families fed, and rural communities strong.
- **Senate Democrats are showing leadership by putting forward a bill that reflects bipartisan priorities** and meets the needs of farmers, families, and communities.
- Unfortunately, Republicans are pursuing the same, failed strategy in the House from 2013 and 2018 of playing politics with food assistance and splitting the Farm Bill coalition. **Senate Democrats have a proposal that holds together the broad coalition** of farmers, nutrition and hunger advocates, conservationists, and the climate community that has always been the foundation of a successful, bipartisan Farm Bill.

### Building on Historic Progress:

- **The Rural Prosperity and Food Security Act builds on the historic progress** we have made for rural communities, families, and farmers in addressing the climate crisis in the *Infrastructure Investment and Jobs Act*, the *Inflation Reduction Act*, the *American Rescue Plan*, and others.



118TH CONGRESS  
2D SESSION

## H. R. 8467

To provide for the reform and continuation of agricultural and other programs of the Department of Agriculture through fiscal year 2029, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2024

Mr. THOMPSON of Pennsylvania introduced the following bill; which was referred to the Committee on Agriculture

## A BILL

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- 1 *Be it enacted by the Senate and House of Representa-*
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- 3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**
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Sec. 1. Short title; table of contents.  
Sec. 2. Definitions.

TITLE I—COMMODITIES

REPUBLICAN FRAMEWORK

## Senate Committee on Agriculture, Nutrition, and Forestry

### KEY PRIORITIES

**MODERNIZES THE FARM SAFETY NET TO ENSURE PRODUCERS HAVE RISK MANAGEMENT TOOLS THAT REFLECT THE CURRENT AND PROJECTED ECONOMIC CHALLENGES THEY FACE.**

Our framework answers the call to put “more farm in the farm bill” by significantly updating the risk management tools farmers rely on to navigate economic challenges and uncertainties. Every covered commodity, in every region, will see meaningful reference price increases by an average of 15 percent. We improve crop insurance coverage and affordability while maintaining access to Title I programs.

**RESTORES U.S. LEADERSHIP IN THE GLOBAL AGRICULTURAL MARKETPLACE AND REPOSITIONS U.S. PRODUCERS AS THE WORLD’S EXPORT LEADERS.**

We double funding for the farm bill’s premiere trade programs to help increase our competitiveness overseas. This infusion of funding is desperately needed considering we are projected to see a record \$32 billion agricultural trade deficit this year.

**CREATES RURAL COMMUNITIES THE NEXT GENERATION CHOOSES TO CALL HOME.**

We make significant investments in small business development, broadband expansion, and water and energy infrastructure programs across rural America – as well as dedicated funding to increase access to healthcare, childcare and public safety – to help rural communities attract and retain talent.

**JUMP-STARTS CHRONICALLY UNDERFUNDED AGRICULTURAL RESEARCH PROGRAMS AND FACILITIES, ALLOWING THE U.S. TO RECLAIM OUR RIGHTFUL PLACE AT THE FOREFRONT OF INNOVATION.**

Our framework directly responds to U.S. agriculture’s greatest long-term need by doubling farm bill research funding. Agricultural research programs spur innovation and productivity – allowing farmers to produce greater volumes in a more cost-efficient and environmentally friendly manner.

**FACILITATES A HISTORIC EXPANSION OF POPULAR CONSERVATION PROGRAMS, ENSURING PRODUCERS ACHIEVE STEWARDSHIP GOALS WHILE BEST ADDRESSING THEIR UNIQUE AND VARIED NEEDS.**

We make a historic investment to help farmers, ranchers and foresters meet their diverse conservation needs, amounting to an increase of more than 25 percent every single year moving forward while making sure its programs continue to empower producers to make the best decisions to meet the resource concerns of their operation.

**ENSURES VITAL NUTRITION PROGRAMS CONTINUE TO DELIVER RELIEF TO THOSE IN NEED WITHOUT ANY BENEFIT CUTS OR ELIMINATION OF INFLATION ADJUSTMENTS.**

The Supplemental Nutrition Assistance Program (SNAP) is an important tool for Americans in need to help bridge the gap and put food on the table when times get tough. Our framework ensures not one SNAP participant will see a single benefit cut. Program benefits will continue to adjust annually for inflation. Anyone who is currently eligible for the program will remain eligible. We protect the program’s integrity by restoring Congress’ constitutional spending authority and by taking steps to reduce states’ SNAP payment errors.

**EMPOWERS THE NEXT GENERATION OF FARMERS TO TAKE THE REINS BY HELPING THEM HARNESS OPPORTUNITIES TO GROW AND SUCCEED.**

The average age of an American farmer is 58.1 years old. Our framework will help make agriculture an attractive and economically viable career option for the next generation by making crop insurance more affordable for beginning farmers and ranchers and by offering beginning farmers without, or with minimal, base acres a path to participate in safety net programs.



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Only legal text on the table at the moment!

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# **Farm Policy Improvements**

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# ARC & PLC


## Vastly Different Visions

Commodity	Units	Current Statutory Reference Price	House Ag Committee Statutory Reference Prices		Senate Majority Proposed Statutory Reference Prices	
			\$	% Increase	\$	% Increase
Corn	bu	\$3.70	\$4.10	10.8%	\$3.70	--
Sorghum	bu	\$3.95	\$4.40	11.4%	\$3.95	--
Barley	bu	\$4.95	\$5.45	10.1%	\$4.95	--
Oats	bu	\$2.40	\$2.65	10.4%	\$2.40	--
Soybeans	bu	\$8.40	\$10	19.0%	\$8.40	--
Wheat	bu	\$5.50	\$6.35	15.5%	\$5.50	--
Seed Cotton	lb	\$0.367	\$0.42	14.4%	\$0.385	5.0%
Rice	cwt	\$14.00	\$16.9	20.7%	\$14.70	5.0%
Peanuts	ton	\$535	\$630	17.8%	\$562	5.0%
Other Oilseeds	cwt	\$20.15	\$23.75	17.9%	\$20.15	--
Dry Peas	cwt	\$11.00	\$13.1	19.1%	\$11.00	--
Lentils	cwt	\$19.97	\$23.75	18.9%	\$19.97	--
Small Chickpeas	cwt	\$19.04	\$22.65	19.0%	\$19.04	--
Large Chickpeas	cwt	\$21.54	\$25.65	19.1%	\$21.54	--

# Other Farm Safety Net Provisions

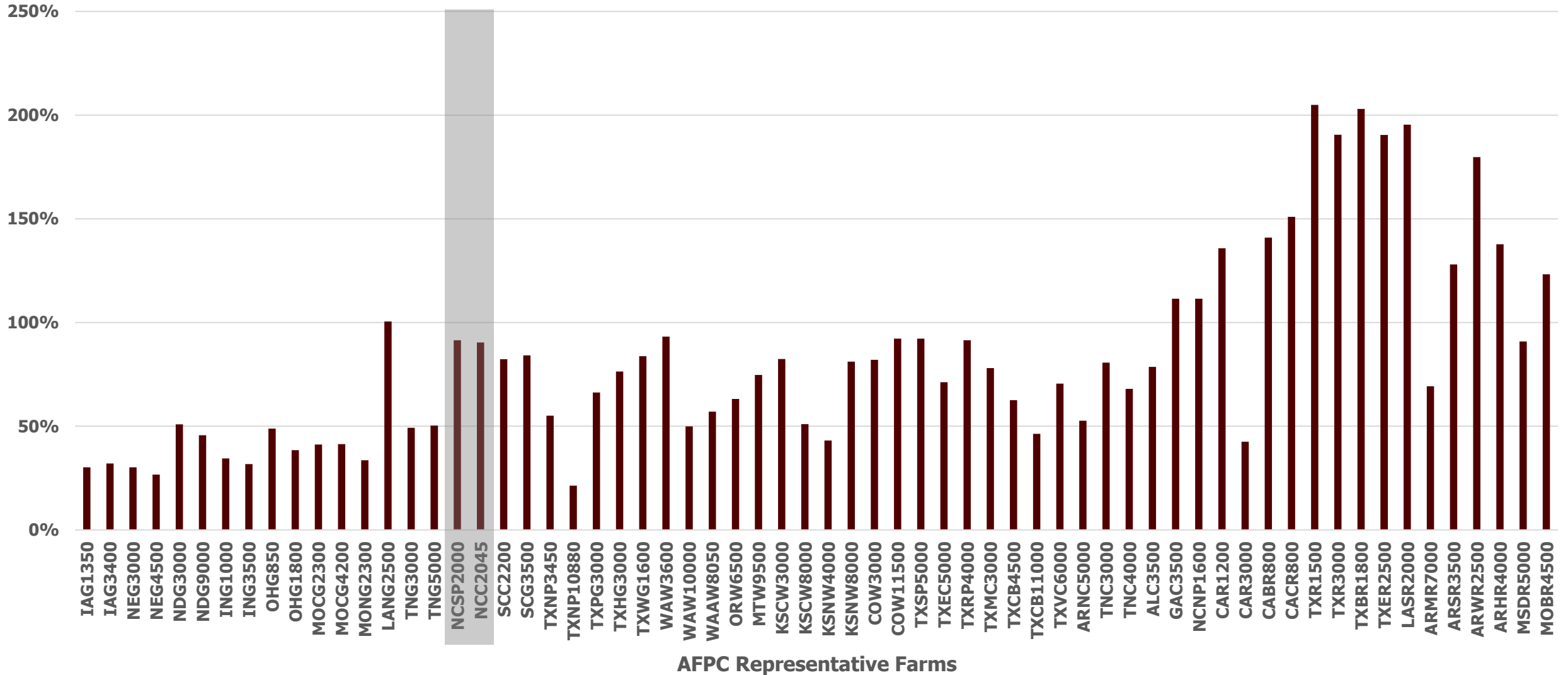
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- Senate Majority Proposal caps PLC at 20% of Effective Reference Price.
- General consensus across proposals on minor tweaks to ARC and improvement to the Supplemental Coverage Option (SCO) in crop insurance (e.g., House Ag Committee proposes to increase the trigger from 86% to 90% and to increase the premium subsidy from 65% to 80%).
- Significant addition of base acres in the House Ag Committee-passed bill. The House would add up to **an additional 30 million acres** for farms where planted acres exceed base acres on the farm. The Senate Majority would allow “Limited opportunity” to update base for “underserved producers” only.

Key Features	House Ag Committee-Passed Bill	Senate Majority Proposal
<b>Title 1 Provisions</b>		
Payment Limit Amounts	Increase from \$125,000 to <b>\$155,000</b> for producers with >75% of income from farming/ranching/silviculture.	No change from current law.
Payment Limit Indexing	For producers with >75% of income from farming/ranching/silviculture, payment limits indexed for inflation (CPI-U) going forward.	No comparable provision.
Legal Entities	Eliminates the LLC penalty. Pass-thru LLCs would join General Partnerships and Joint Ventures in having the number of payment limits parallel the number of stakeholders in the entity.	No comparable provision.
Means Testing	No change from current law of \$900,000, except that means testing would not apply to disaster programs in Title 1 and the Noninsured Crop Disaster Assistance Program (NAP) for producers with >75% of income from farming/ranching/silviculture. <i>NOTE: this is consistent with the original means testing requirements from the 2002 Farm Bill.</i>	Reduces AGI threshold from \$900,000 to \$700,000 for row-crop producers and makes tenants ineligible if landowners do not meet AGI threshold. Increases allowable AGI from \$900,000 to \$1,500,000 for specialty crop and “ <u>high-value</u> ” crop producers.  

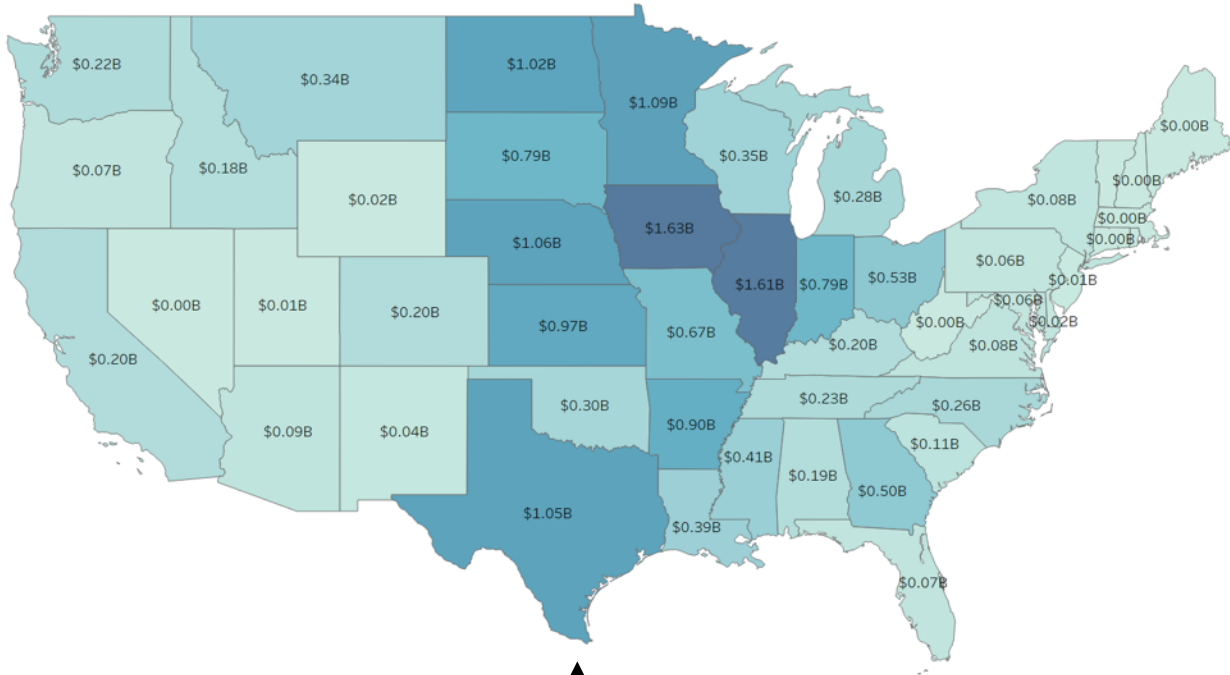
# Annual Average ARC/PLC Assistance:

## Extent to which HAC Support Exceeds SAC Majority Proposal





# ARC/PLC Assistance Increases: Summary | HAC vs SAC Majority

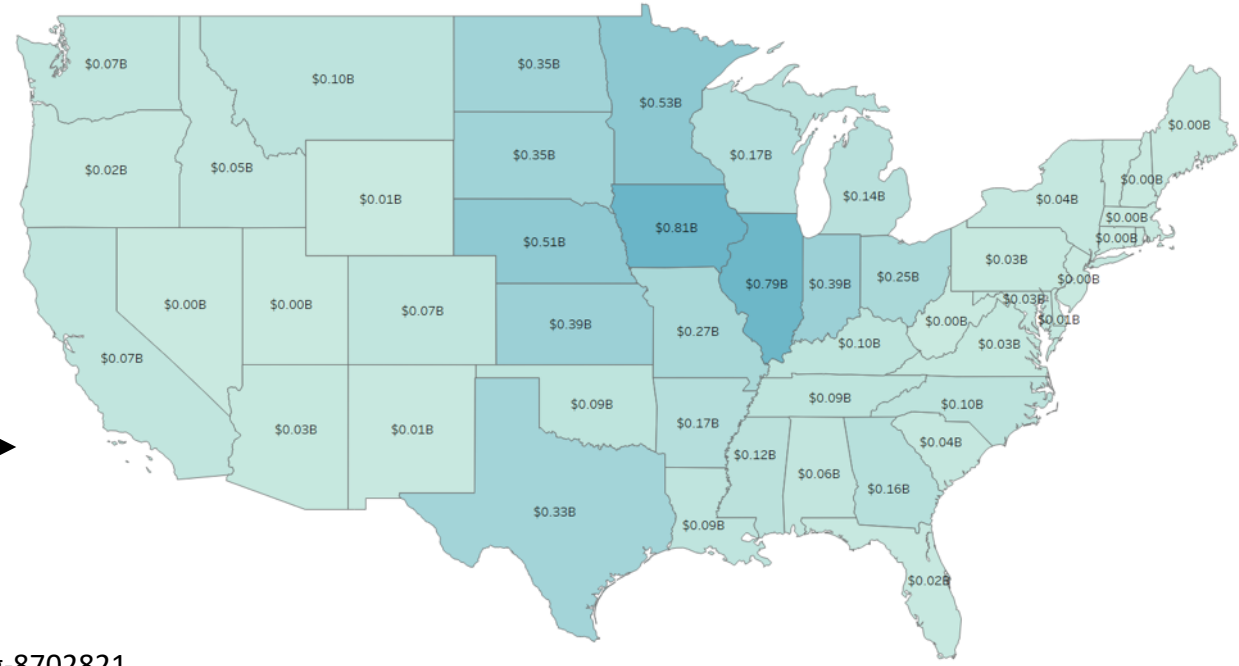


↑  
HAC

SAC Majority →

“Unfortunately, they passed something that takes money off the nutrition title, which we never do, and ... skewed to the South, and the Midwest is not happy,” Stabenow said. **“If I voted for the House Bill, I’d get killed by my commodity groups because wheat, corn, beans – everything Midwest gets the short end of the stick.”**

--Sen. Debbie Stabenow (D-MI)



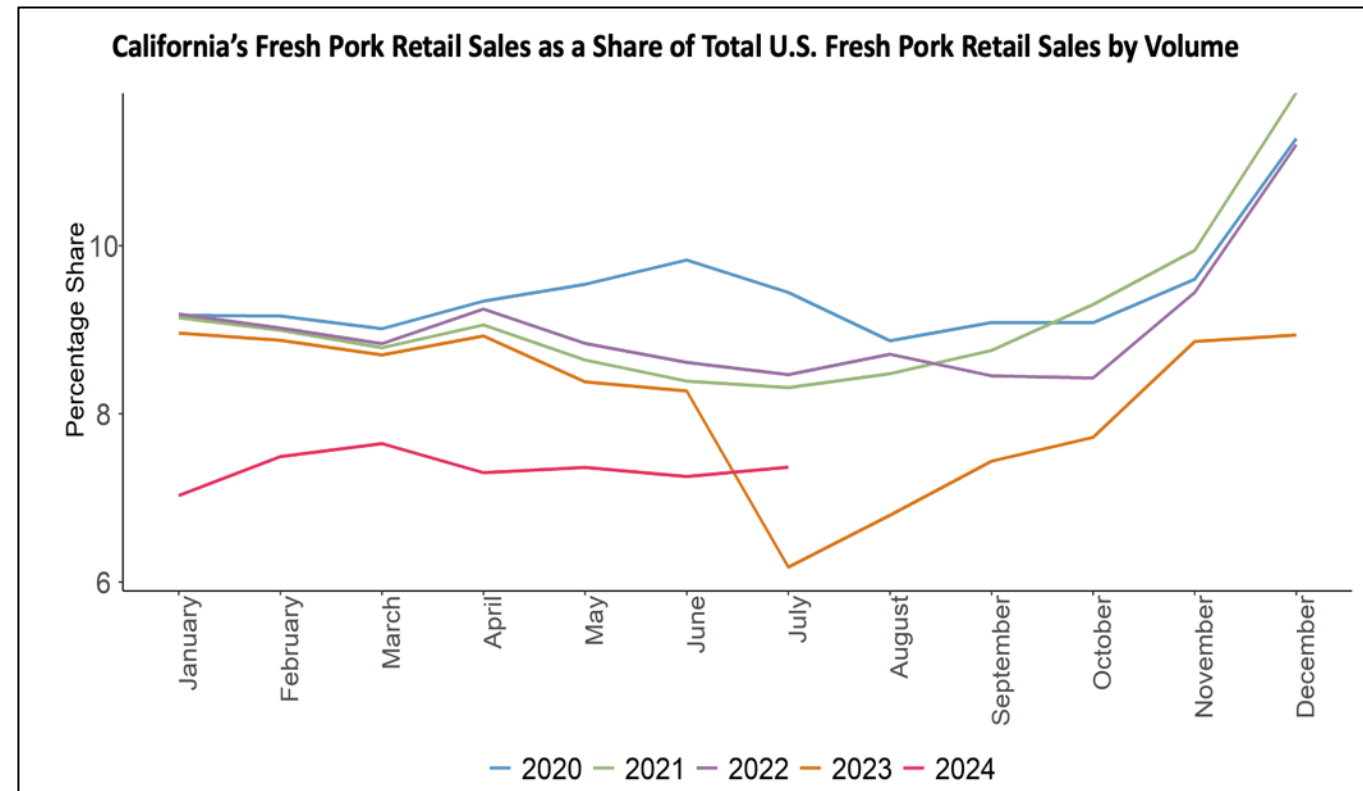
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# **Other Farm Bill Changes**

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# Other Significant Provisions in the Farm, Food, and National Security Act of 2024

- Doubles funding for Market Access Program (MAP) and Foreign Market Development (FMD)
- Increases funding for the three-legged stool by \$1.5 billion
- Increases funding for specialty crop block grants and research by \$1.5 billion
- Invests \$2.5 billion to address the backlog of maintenance in research facilities at public agricultural universities
- Addresses California's Proposition 12 (eggs excluded)



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# **Budget Mess:**

How to Pay for Farm Bill Improvements?

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# Show Me The Money!

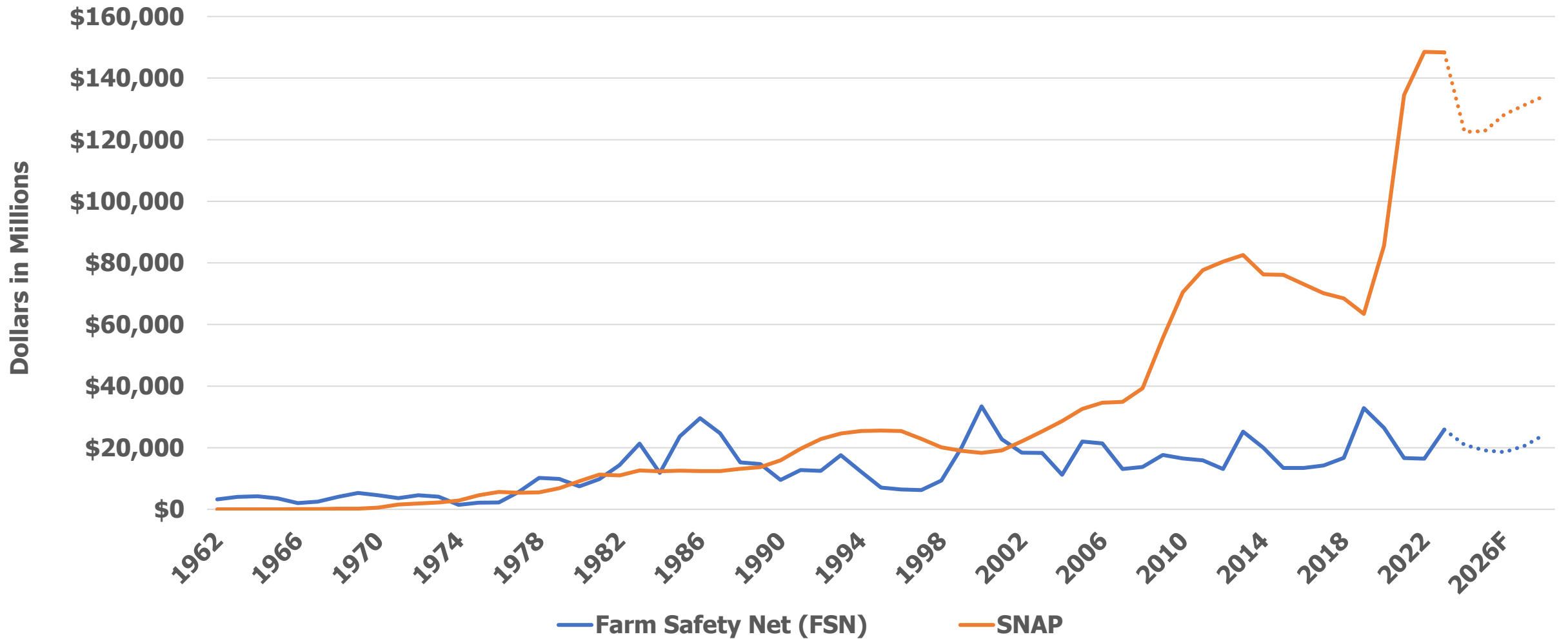
A few potential sources...

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1. Restrict the Secretary's discretionary use of the Commodity Credit Corporation (CCC)?
2. Bring the Inflation Reduction Act (IRA) conservation funding inside the farm bill?
3. Limit the Supplemental Nutrition Assistance Program (SNAP) Thrifty Food Plan (TFP)?

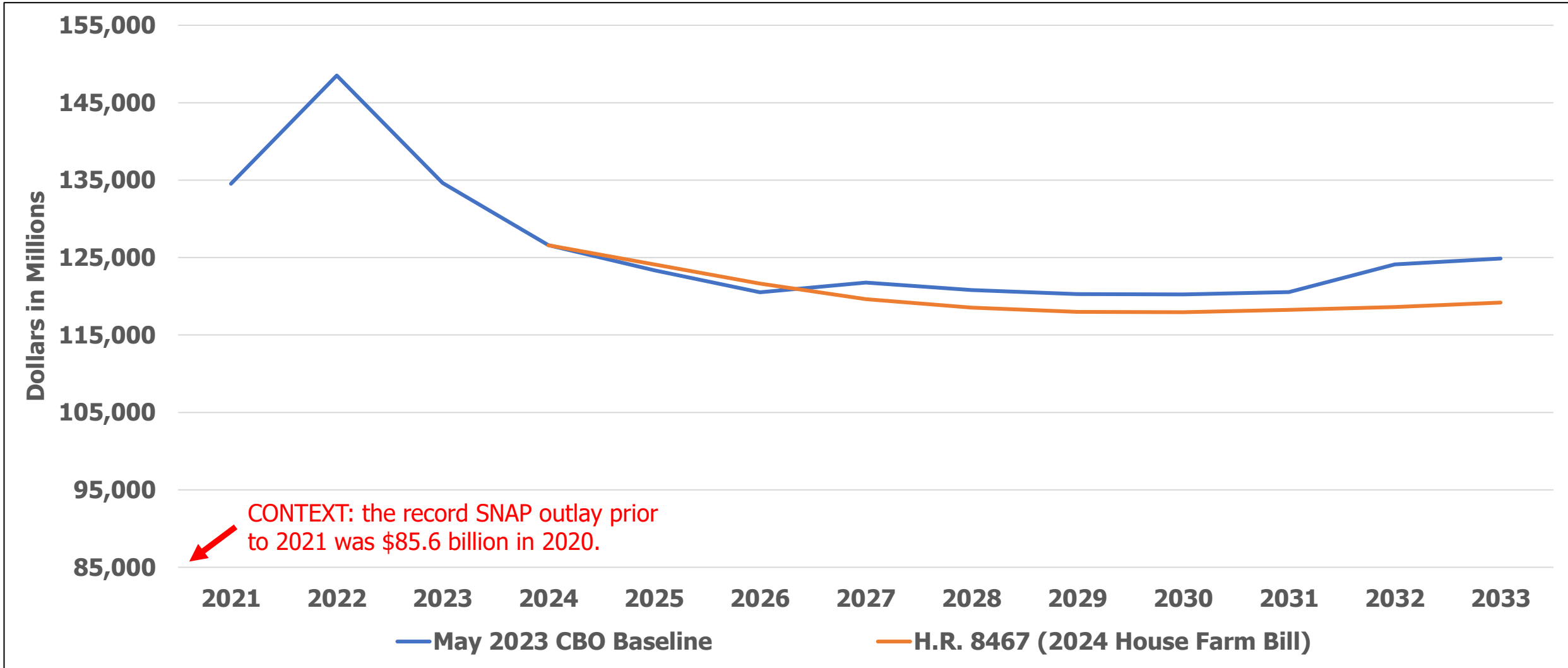
What about the Stafford Act?

# SNAP vs Farm Safety Net



Source: <https://southernagtoday.org/2024/02/15/farm-bill-fault-lines-why-is-the-farm-bill-debate-stuck-in-neutral/>

# Thrifty Food Plan (TFP): What's all the fuss about?



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# Path Forward?

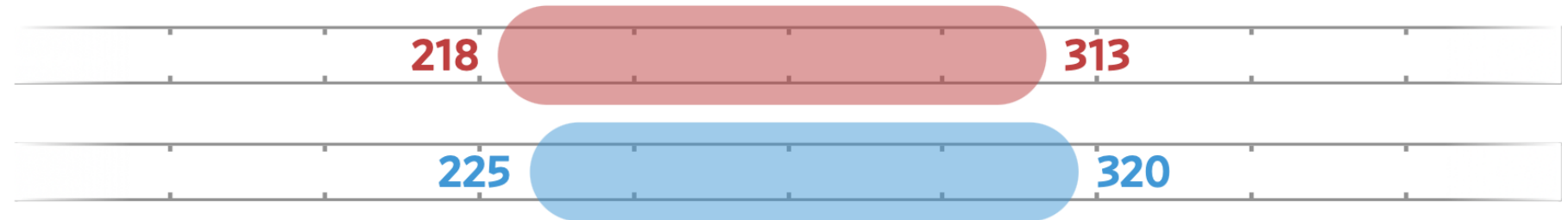
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# What about 2024 Elections?

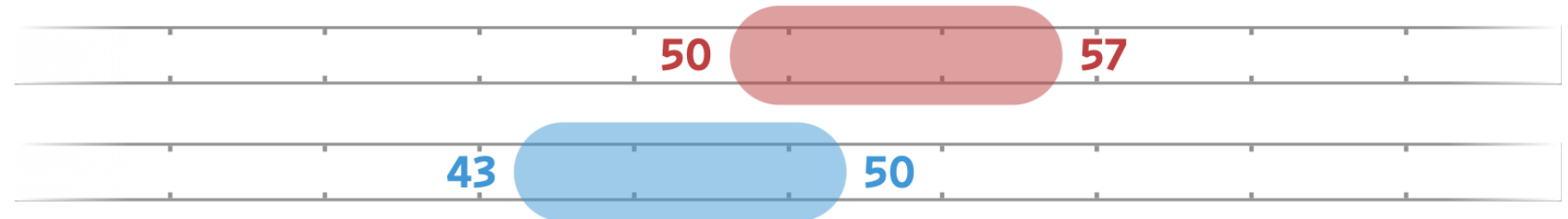
## President

projected range of electoral votes



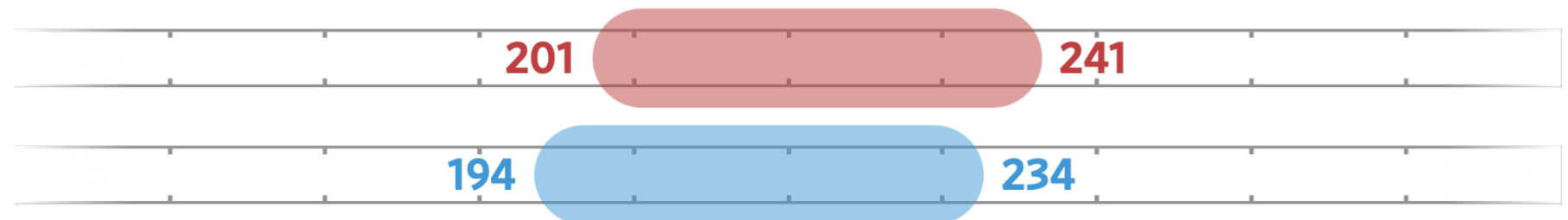
## Senate

projected range of Senate seats



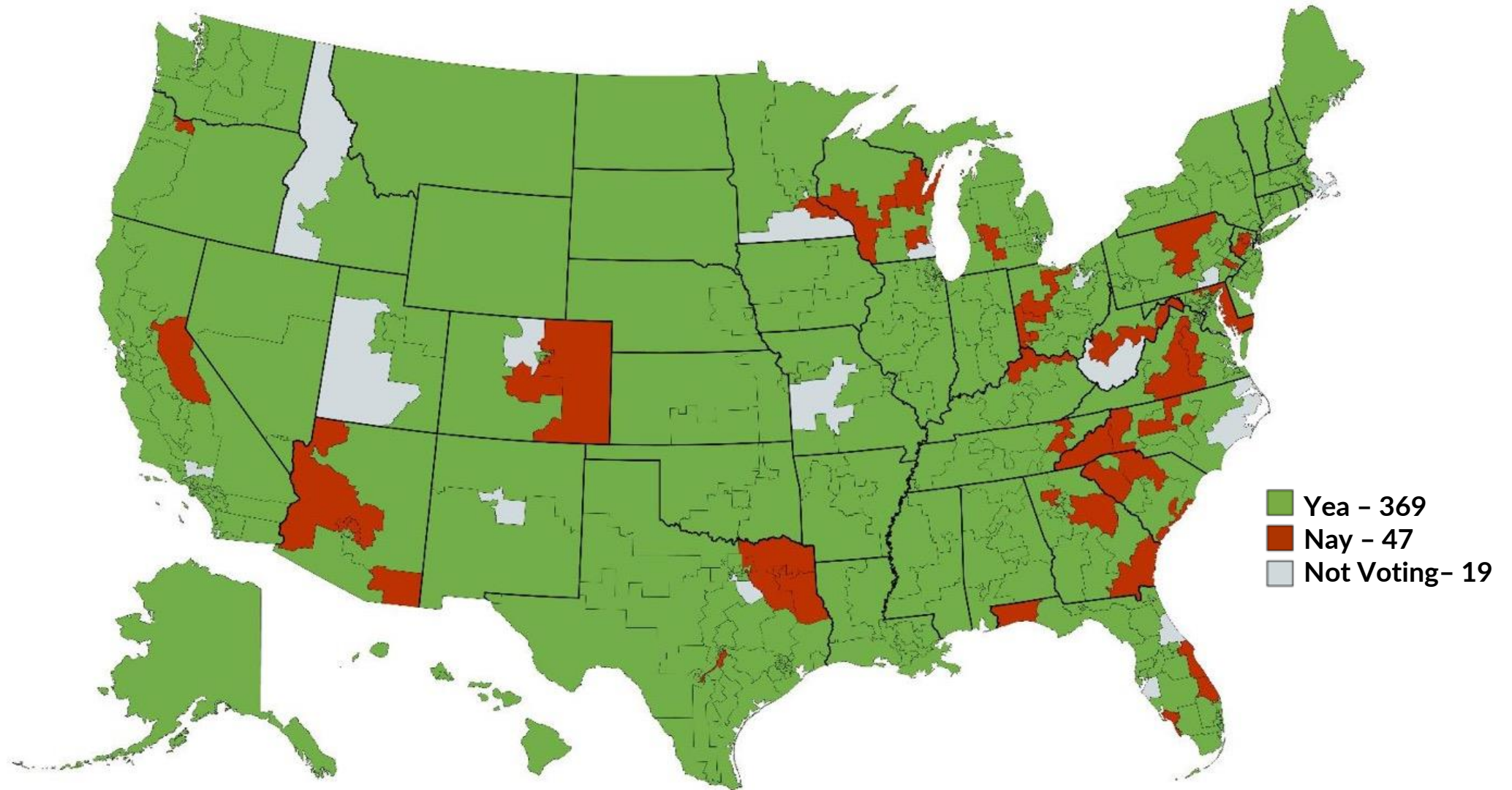
## House

projected range of House seats



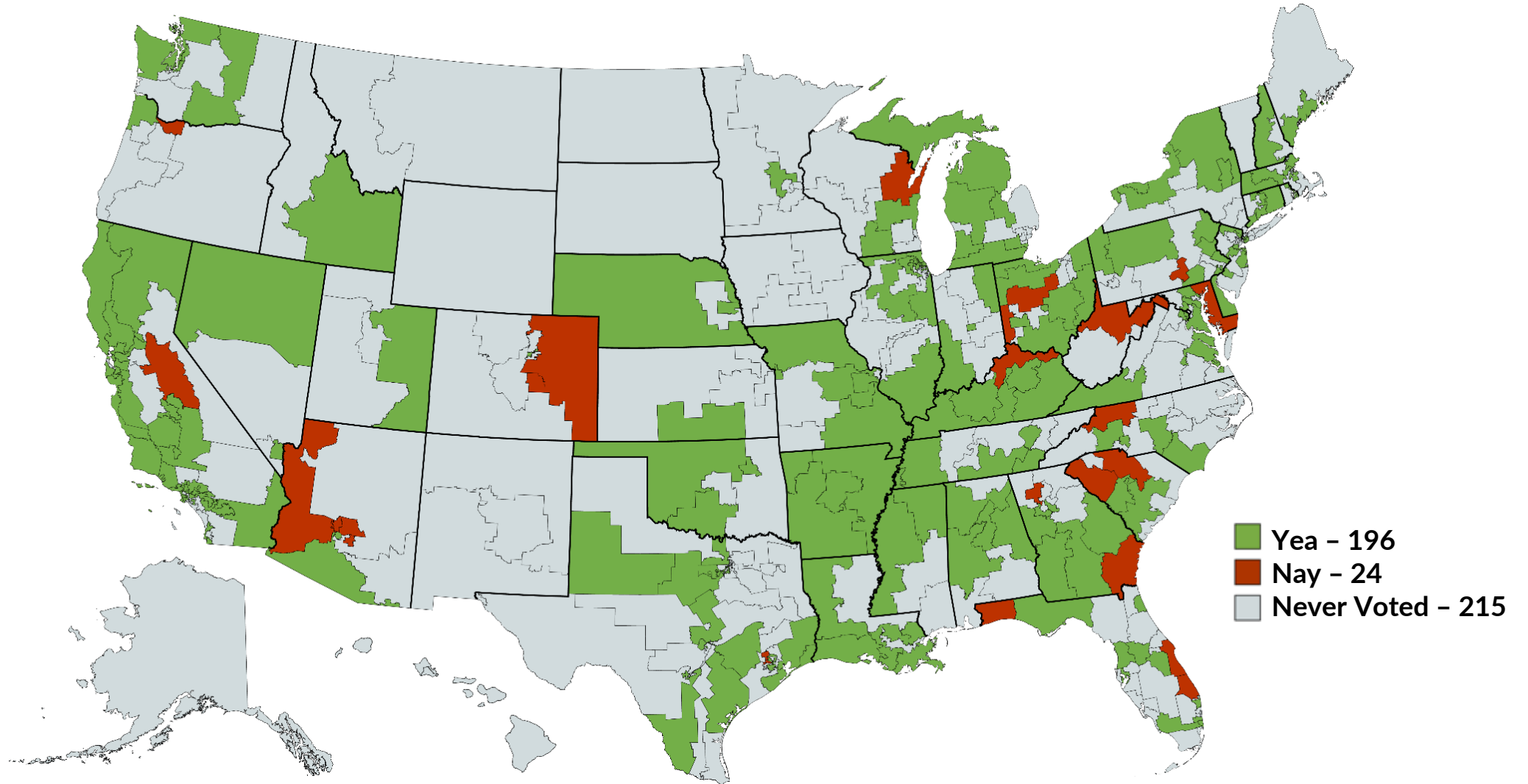
# What about Farm Bill Votes?

## 2018 Farm Bill



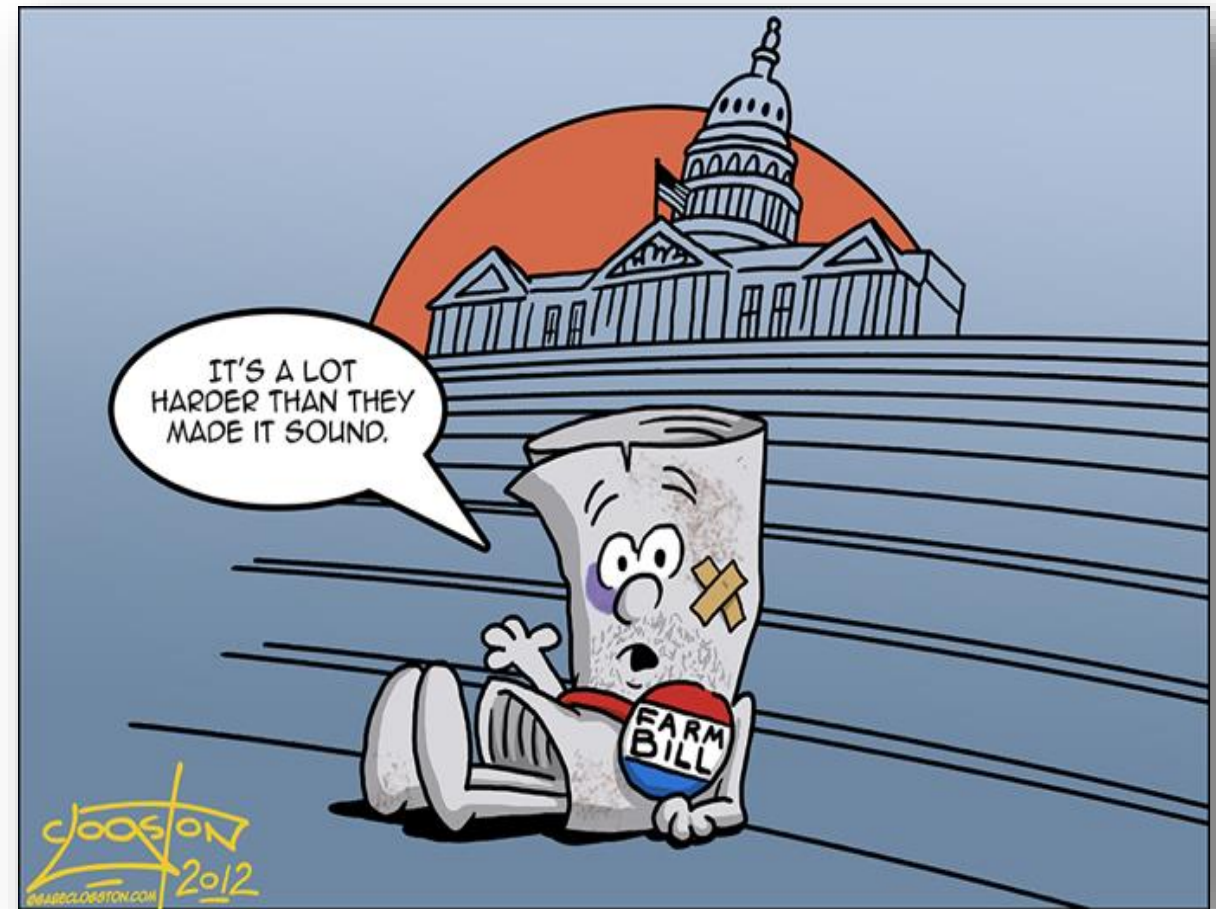
# What about Farm Bill Votes?

## 2018 Farm Bill



# Path Forward? Options...

- **New farm bill in the lame duck.** This is possible but a lot of work remains. Could a new farm bill be limited to Title 1 and Crop Insurance improvements?
- **Ad Hoc.** Absent a new farm bill, there will be considerable pressure to include ad hoc assistance in a year-end supplemental. Recall that there was no ad hoc spending in FY24 for 2023 losses. But, a lot of ERP heartburn...
- **Combination.** Another option would be to fund new farm bill improvements AND to include ad hoc as a bridge to cover crop year 2024 losses.
- **Extension.** The last thing anyone wants to talk about right now...



# Dangers of Waiting?

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- No disaster assistance was provided (so far) for 2023 and 2024 losses. As noted earlier, direct government assistance at 50-year low. Including the latest disasters, the need is acute.
- Growers are planning for 2025 now with a safety net that does little in the face of significant projected losses.
- The new Congress must deal with the debt ceiling (again). It expires in January 2025.
- Many provisions from the Tax Cuts and Jobs Act of 2017 (TCJA) are set to expire in 2025. This is likely even more contentious as debt held by the public has almost doubled since TCJA was signed by President Trump (\$14.9 trillion vs \$28.3 trillion).  
*NOTE: tax revenue increased 34% (\$3.3 trillion in 2017 to \$4.4 trillion in 2023).*
- Elections have consequences. Lame duck could be very interesting.

# Questions?

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