

# 2024 FEDERAL COMMODITY PROGRAM UPDATE

*February 7 | 1-2 p.m. CST*



*Ben Brown  
University of Missouri*



*Rebecca Malter  
Missouri Farm Service Agency*

[fapri.missouri.edu/aglenderseminars-webinars/](https://fapri.missouri.edu/aglenderseminars-webinars/)

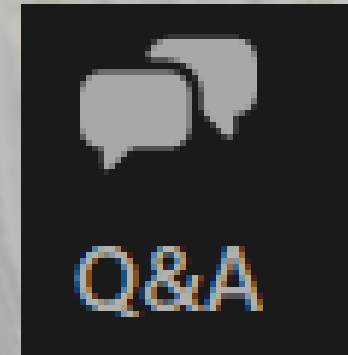


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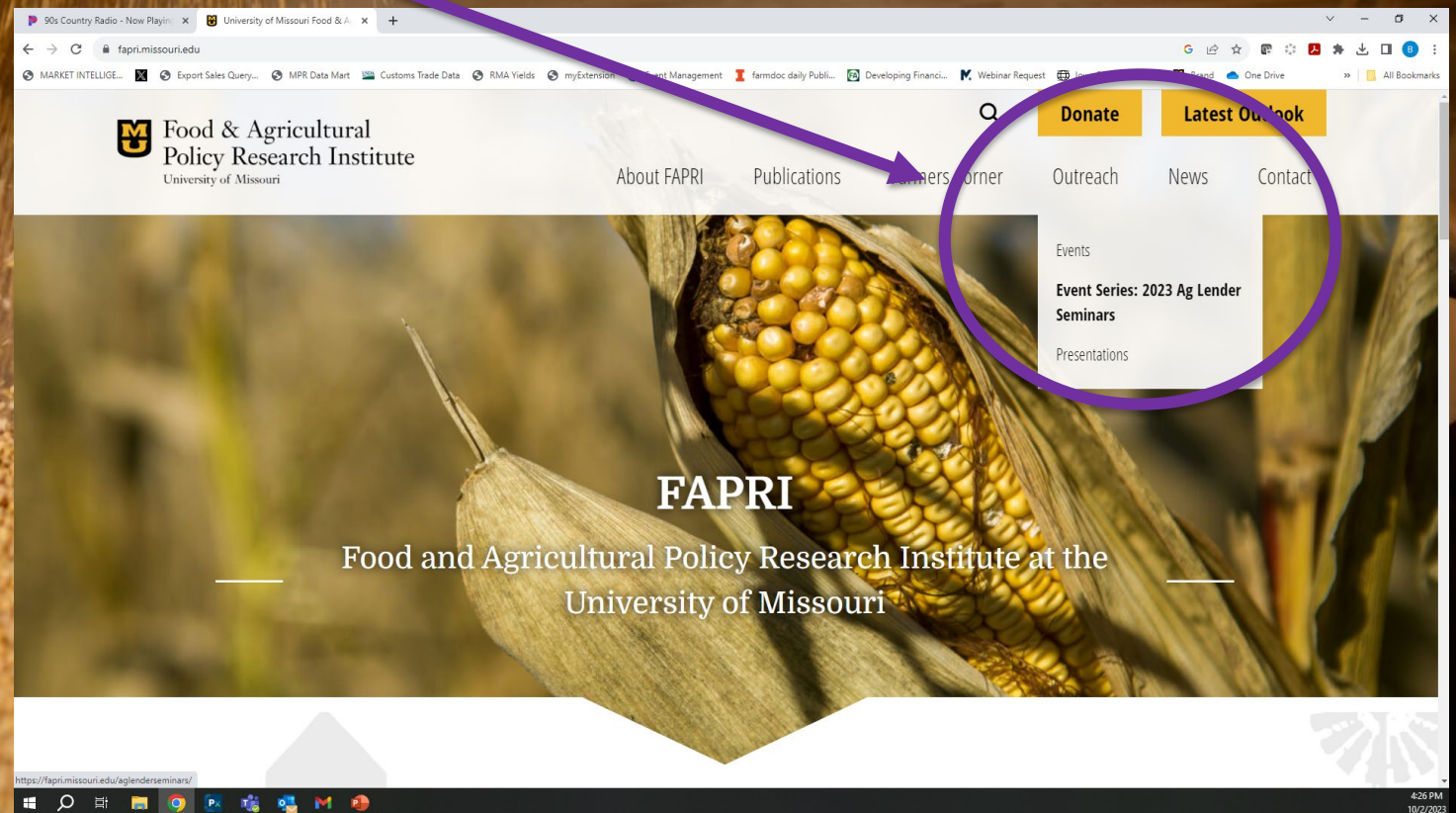
# *Questions??*

- ❖ Feel free to submit questions at any time using the Q/A chat feature at the bottom of your screen.
- ❖ You can also email questions me at [bpbrown@missouri.edu](mailto:bpbrown@missouri.edu)
- ❖ We will try to answer as many questions as we can at the end. A full list of questions with responses will be available at [fapri.missouri.edu](http://fapri.missouri.edu) under “events”.



# Slides for today's presentations can be found at:

FAPRI.missouri.edu -> Outreach -> Event Series: 2023 Ag Lender

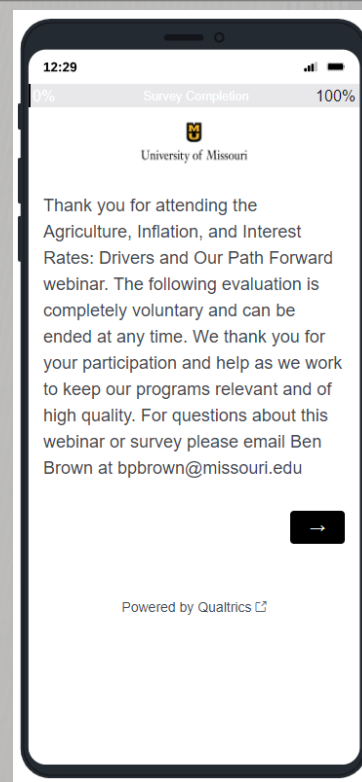


The screenshot shows the FAPRI website interface. The header includes the FAPRI logo and navigation links: About FAPRI, Publications, Farmers Corner, Outreach, News, and Contact. A purple arrow points from the text above to the 'Outreach' link. A dropdown menu is open under 'Outreach', listing 'Events', 'Event Series: 2023 Ag Lender Seminars', and 'Presentations'. The main content area features a large image of corn with the text 'FAPRI Food and Agricultural Policy Research Institute at the University of Missouri'. The browser's address bar shows 'https://fapri.missouri.edu/aglenderseminars/'.

# Evaluations

**Please help us continue to offer high quality programs by completing our evaluation upon completion of the webinar.**

- ❖ The internet-based evaluation will start when you exit the zoom.
- ❖ Takes roughly 3 minutes
- ❖ Responses will be completely private



**The evaluation is designed to capture how effective our program was at meeting key objectives.**

1. Provide a structural overview of Federal commodity safety net programs,
2. Overview key decision dates and producer/landowner actions,
3. Offer commentary about expected payments and decisions for program year 2024, and
4. Bring awareness to decision tools available to producers and lenders.



# 2024 AG LENDERS WEBINARS

***United States and Agricultural Trade Outlook***

*January 24 | 10-11 a.m. CST*

***2024 Federal Commodity Program Update***

*February 7 | 1-2 p.m. CST*

***2024 Crop Insurance Decisions***

*February 28 | 11 a.m.-12 p.m. CST*

***2024 Crop Enterprise Budget Update***

*March 19 | 11 a.m.-12 p.m. CST*

***2024 Crop Markets and Weather Outlook***

*March 29 | 1-2 p.m. CST*

***Register for free:***

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# Poll Question #1: The US Congress will pass a Farm Bill...

- A. This spring (continuing resolution- Mar. 1)
- B. This summer/early fall
- C. This year after the election
- D. In 2025
- E. Maybe never

## Poll Question #2: The current safety net

- A. Provides adequate financial support
- B. Does not provide adequate financial support.
- C. Indifferent/unsure



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# U.S. Agricultural Policy and the 202? Farm Bill



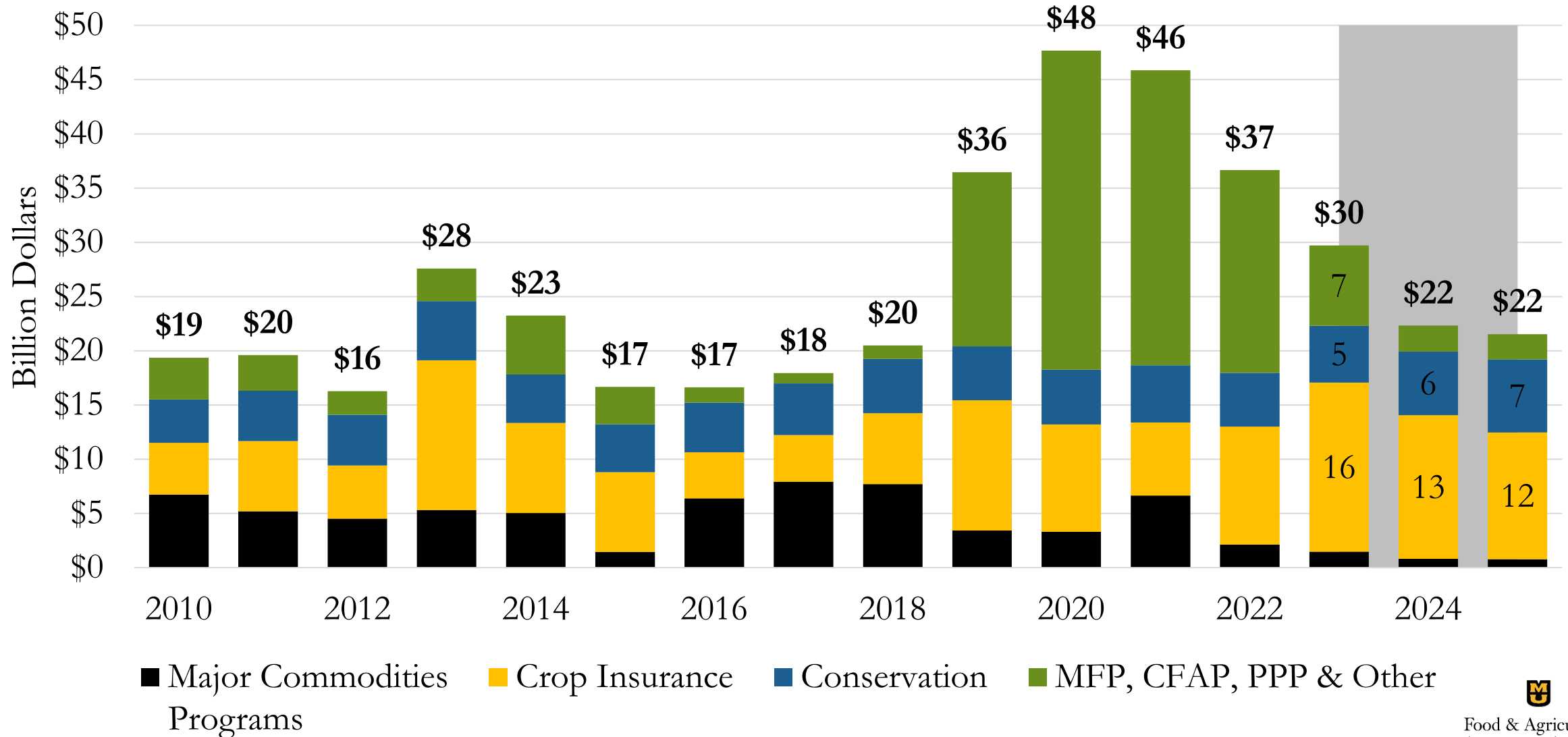
# Federal Programs: Policy Structure

- 1. Supply Control Measures-** as proposed by several 2020 Presidential Candidates and talked about extensively in 2021 & 2022 from both parties.
  1. Land Retirement Programs like CRP
  2. Marketing Allotments similar to Sugar/ old Dairy Program/ old Tobacco Program
  3. Double cropping insurance premiums
- 2. Price Support Measures**
  1. Government Purchases- *Included in 2019 and 2020 MFP*
  2. Increases to National Loan Rates – *Increased in 2018 Farm Bill and proposed in 2022 legislation.*
- 3. Income Support Measures-** not the same things as a price support
  1. Higher Coverage Levels under ARC-CO
  2. Higher PLC Reference Prices
  3. Enhancement to Crop Insurance Revenue Products



# Federal Programs: Policy Structure

## Net Agriculture & Conservation Government Outlays



# Farm Bill Election: **Didn't we just do that??**

- ❖ The 2018 Farm Bill signed December 2018 allows producers to amend their program election annually starting in 2021.
  - ❖ 2014 Farm Bill had 1 election for 5 years
  - ❖ 2019 and 2020 were combined, but enrollment was “late”
- ❖ The 2018 Farm Bill expired on September 30, 2024. However, Congress extended it **one year** on Nov. 16, 2023.
- ❖ Producers **do not** have to amend their decision.
  - ❖ Their decision will default **without** penalty.
- ❖ Producers **do** have to enroll annually (sign the piece of paper)
  - ❖ Many have done this already
  - ❖ If they had a multi-year enrollment and decide to change their election- they need to reenroll.
- ❖ What about landowners?
  - ❖ Unless they have risk (shared interest) in the farm there is not a role for them this time.
  - ❖ No PLC yield update or base acre update.

# Ag Policy: 202? Farm Bill - 5 Questions

- ❖ Starting Point - Overall Budget
  - ❖ 2014 bill was expected to reduce the deficit; 2018 was to be budget neutral
  - ❖ Will there be new money for next farm bill, less money, the same amount???
  
- ❖ Allocation of funds across titles in the farm bill
  - ❖ If budget neutral, can funds be shifted across titles to satisfy enough legislative votes?
  
- ❖ Title 1 (Commodity Programs)
  - ❖ Increase to commodity reference prices (\$3.70 for corn, \$8.40 for bean, \$5.50 for wheat)
  - ❖ Create margin-based program?
  - ❖ Update and/or add base acreage?
  
- ❖ Crop Insurance/ Nutrition Programs
  - ❖ Status quo?
  - ❖ Tie to conservation or climate concerns? (Increase work requirements)
  - ❖ Decrease premium subsidies, insurance company benefits? (Decrease benefits/eligibility threshold)
  
- ❖ Conservation Programs
  - ❖ Leave IRA provisions as is, or shift money across years or programs?

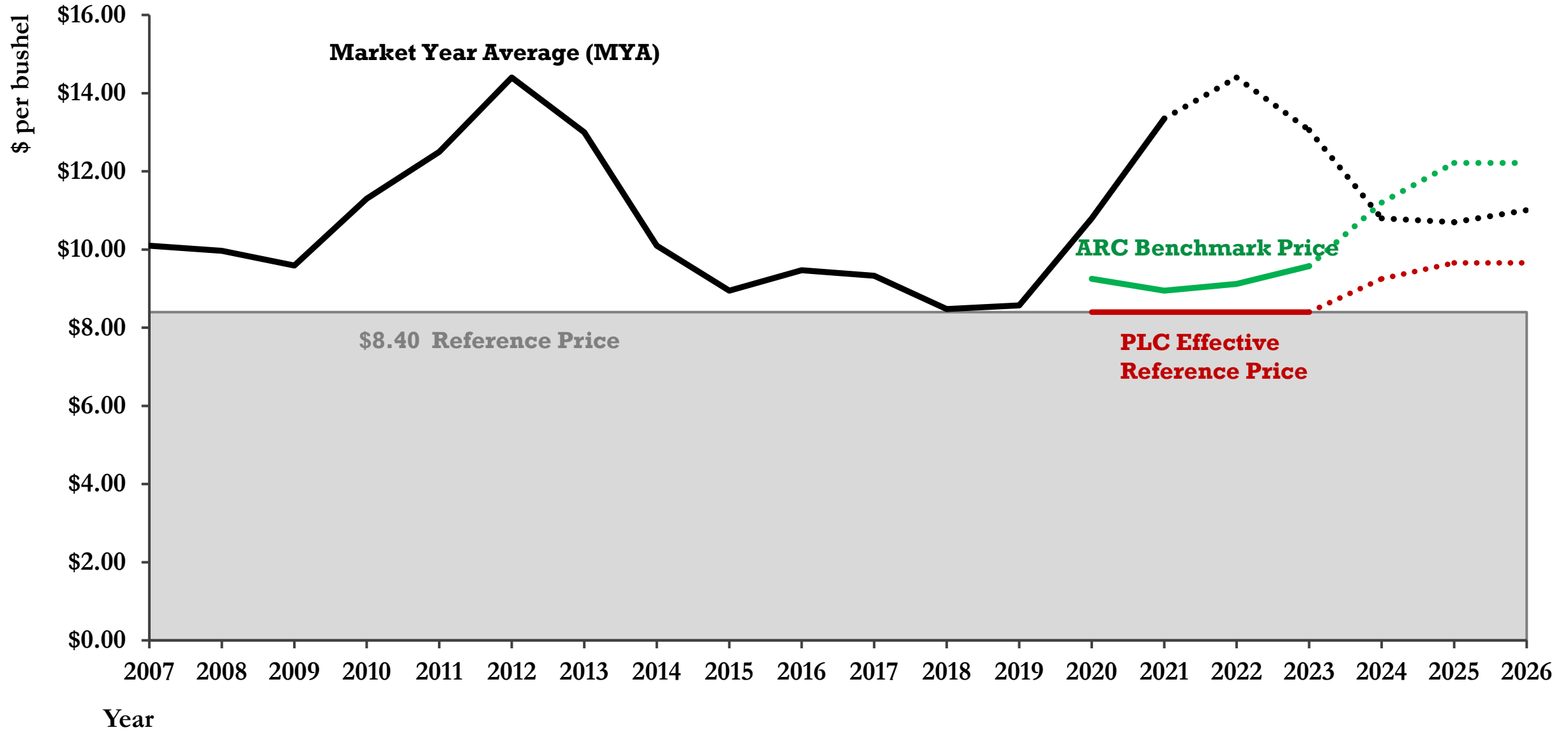


# 2023 Farm Bill: Budget Allocation

This is a little study I did with a couple “general public” extension audiences. Everyone was given colored M&Ms and each color represented a dollar amount. Participants were asked to assign dollar amounts to different farm bill categories. Any M&Ms they’d didn’t use- they got to keep. Repeated the study- this time with descriptions about what was in each title.

	Actual 2018-2021 USDA Budget	Initial Allocation without Descriptions	Change from Actual without Descriptions	Re-Allocation with Descriptions	Change from Actual with Descriptions
Commodity Programs (ARC & PLC, Marketing Loans, Dairy Margin Coverage)	7%	15%	+114%	9%	+29%
Crop Insurance	9%	8%	-11%	4%	-55%
Conservation Programs	7%	23%	+228%	23%	+228%
Nutrition	77%	39%	-49%	62%	-19%
Other 9 Titles	>1%	11%	+1000%	2%	+100%
Budget Savings	---	4%	++	---	Even

# Policy Environment: Soybean Dilemma



# Poll Question #3: When do producers and landowners with risk need to elect and enroll by?

- A. February 29, 2024
- B. March 15, 2024
- C. March 31, 2024
- D. April 15, 2024

# Poll Question #4: If payments are triggered for the 2024 program year- when will they be made?

- A. October 2024
- B. March 2025
- C. May 2025
- D. October 2025



# 2024 Federal Commodity Program Update



**Rebecca Malter**  
Missouri Farm Service Agency



College of Agriculture,  
Food & Natural Resources  
University of Missouri



Extension  
*University of Missouri*

# Federal Title 1 Commodity Programs

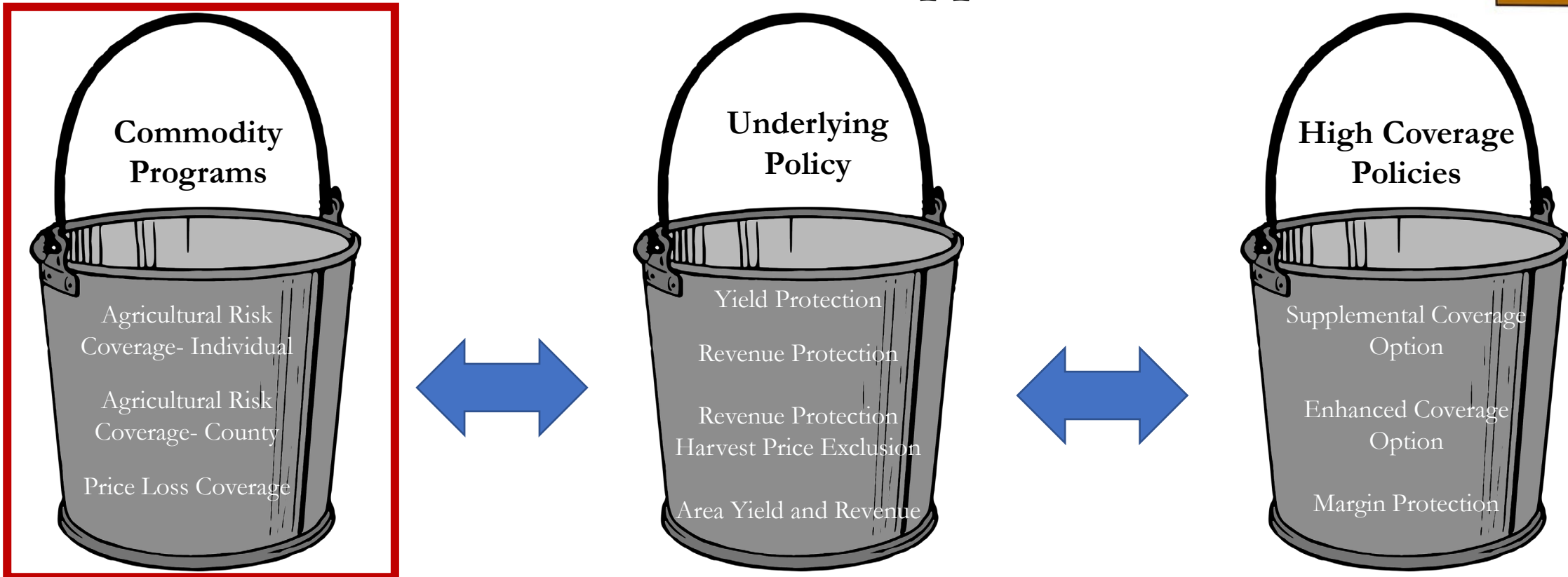
# Safety Net: Options

Most producers get overwhelmed with crop insurance decision and for good measure because there are lots of options

There are 21 different policies without even breaking that down to coverage levels, unit structure, or all the private products.... There about 160 of those...



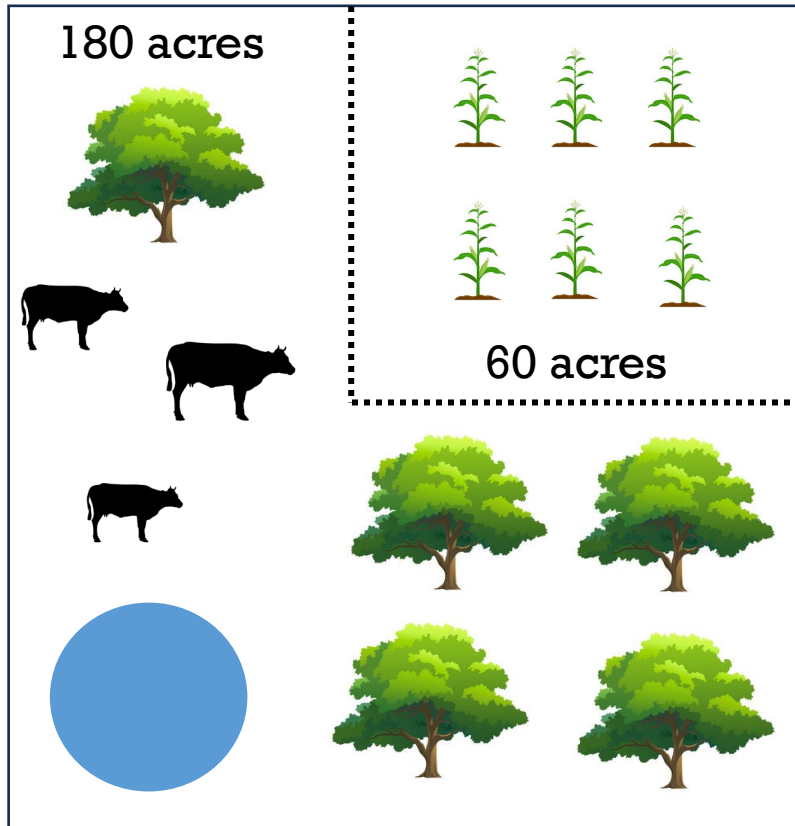
## Three Bucket Approach



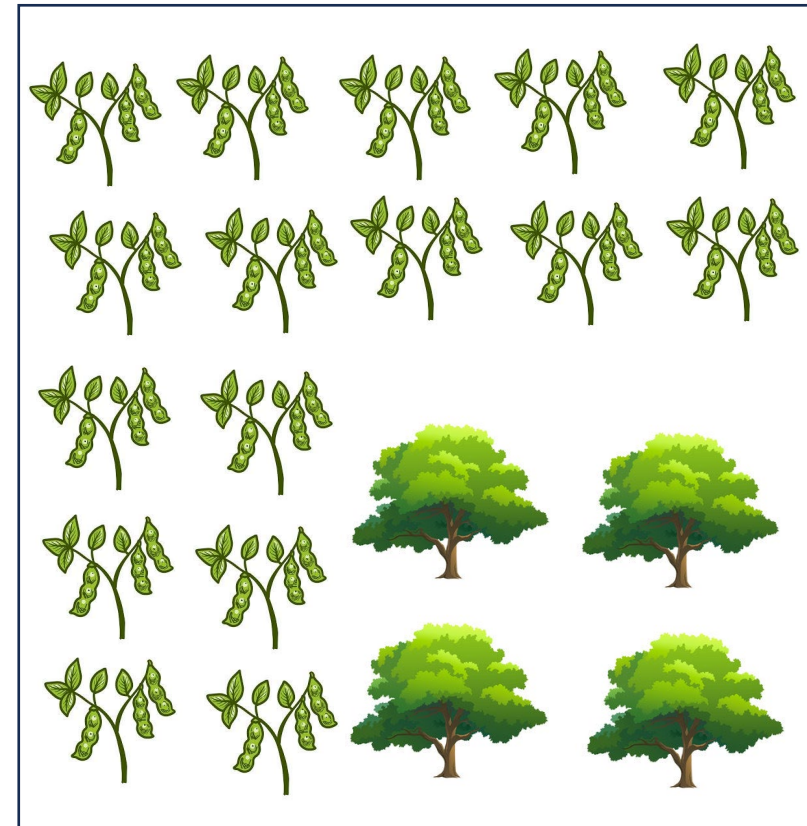
# Commodity Program: **Base Acres**

Farm Programs are Based on Historical Base Acres and Base acres **do not** equal planted or harvested acres

**FSA Farm Number 12345 in  
1996 – 60 corn base acres**



**FSA Farm Number 12345 in –  
2023- still 60 corn base acres**



# Commodity Program: **Base Acres**

Farm Programs are Based on Historical Base Acres and Base acres **do not** equal planted or harvested acres

	2021 base area	2021 planted area	2014-20 ARC avg. payment rate	2014-20 PLC avg. payment rate
Soybeans	52.9 mil. acres	87.2 mil. acres	\$7.78/base acre	\$0.00/base acre
Corn	93.6	93.4	\$21.42	\$13.31
Wheat	62.3	46.7	\$12.17	\$20.24
Seed cotton	11.5	11.1	\$37.93*	\$47.64*
Rice	4.3	2.5	\$13.93	\$109.94
Sorghum	8.5	7.3	\$12.61	\$25.32
Barley	5.3	2.7	\$7.48	\$7.89
Peanuts	2.4	1.6	\$41.88	\$189.08
8-crop total	241.0	252.4		

# Commodity Program: Options

## The Decision- Ag Style!

Elect a Federal Commodity Program

Price Loss Coverage

Paid on 85% of Base Acres

Agricultural Risk Coverage-County

Paid on 85% of Base Acres

Agricultural Risk Coverage-Individual

Paid on 65% of Base Acres

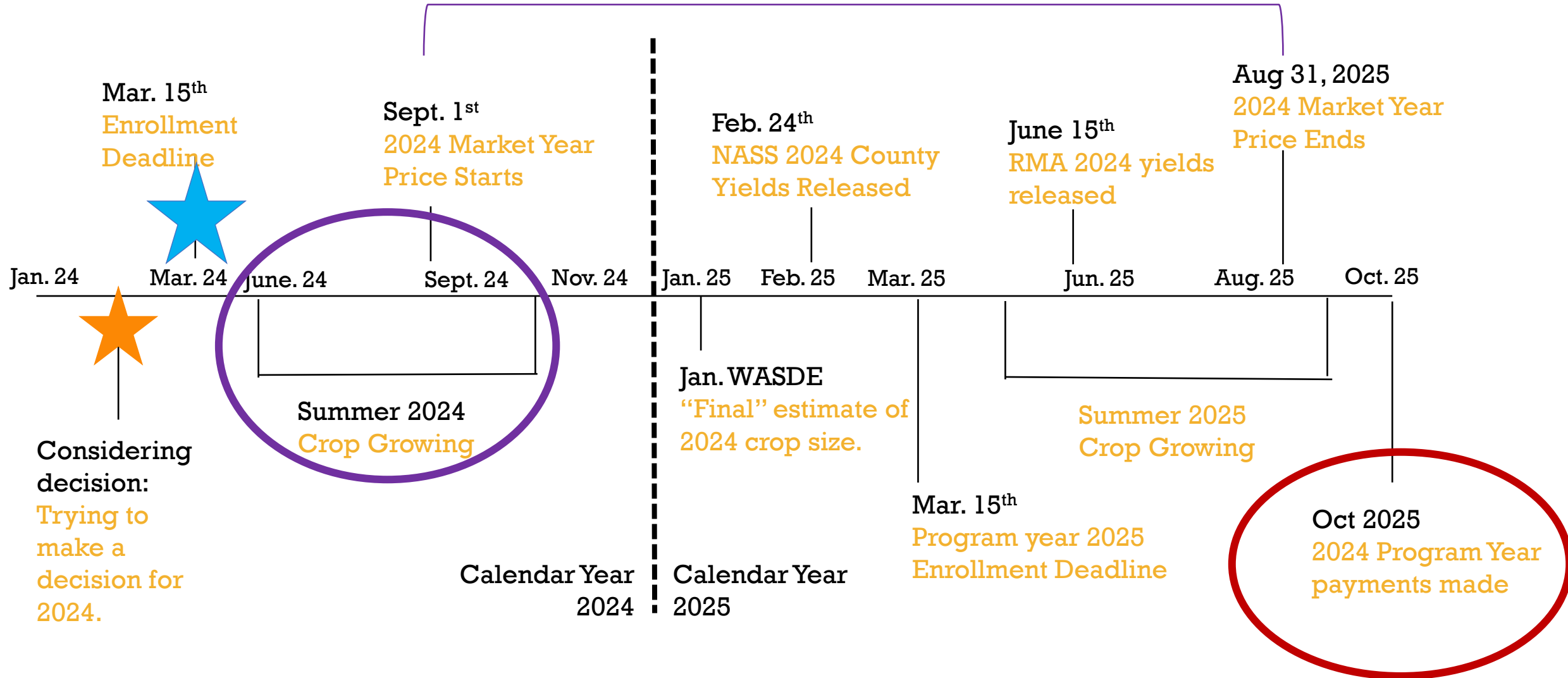
Supplemental Coverage Option

Paid on FCIC Purchased Planted Acres

- ❖ **Base Acres-** Assigned by historical plantings. Not all parcels of land have base.
  - ❖ Does not matter what you plant.
- ❖ Producers need to elect/enroll by March 15<sup>th</sup> with FSA every year.
- ❖ Producers can make the decision on a crop-by-crop basis for ARC-Co and PLC
- ❖ All crops on the FSA Farm and all FSA Farms enrolled in ARC-IC within the same state are blended together when choosing ARC-IC

# Commodity Program: **Timeline**

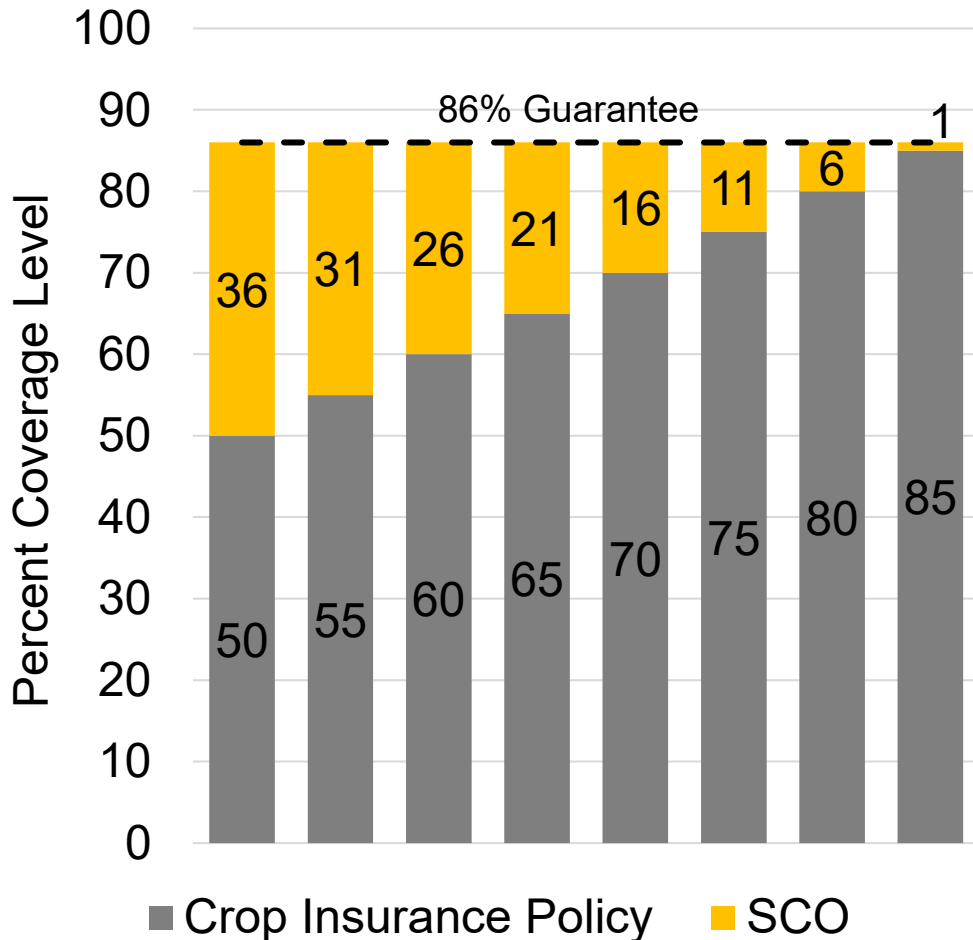
## Program Year 2024 Timeline- Corn and Soybeans (Month, Year)



# Crop Insurance: High Coverage Options

**Supplemental Coverage Option (SCO)**- Provides a band of area-based yield or revenue protection between your individual policy and 86%.

**Insurance Coverage Levels**



**2021 Example:**

Bates County, MO, Corn, APH- 166, 340 Acres,  
\$4.47 Projected Price, **Revenue Protection**, Non-Irrigated

Individual Coverage Level	Farm Policy Enterprise Premium	FARM + SCO = Total + Adm. Fee
85%	\$31.96	\$31.96 + \$1.37 = \$33.33
80%	\$17.27	\$17.27 + \$7.09 = \$24.36
75%	\$9.17	\$9.17 + \$10.66 = \$19.83
70%	\$6.09	\$6.09 + \$12.91 = \$19.00
65%	\$4.60	\$4.60 + \$14.37 = \$18.97
60%	\$3.25	\$3.25 + \$15.08 = \$18.33
55%	\$2.41	\$2.41 + \$15.30 = \$17.71
50%	\$1.76	\$1.76 + \$15.36 = \$17.12



# Is SCO right for my operation?

## A couple options to think about and consider:

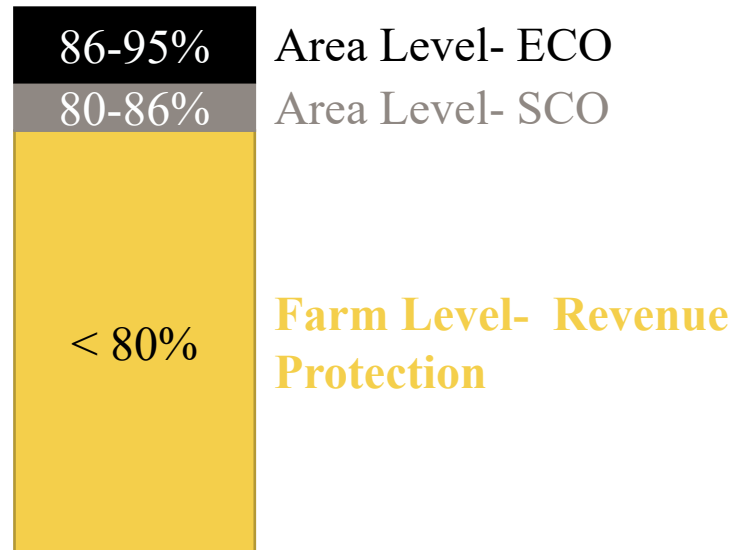
1. If planted acres > historical base acres, then SCO provides you a stronger revenue protection on what you are **actually growing** compared to ARC-CO.
  - ❖ Keep in mind that crop insurance units might not match up with FSA farm numbers.
2. Decreasing your individual coverage to cheapen your crop insurance bill will lower your prevented planting protection since prevent plant is not paid on area (county) based policies.
3. Even at 1% and 6% SCO you are adding revenue protection to the tune of about \$8 and about \$49 at current corn prices.
4. PLC with SCO is the most complete risk management option of **just these three** (ARC-CO, PLC, and PLC+SCO) because you have the revenue protection like ARC-CO for yield losses and the price protection from SCO.
  - ❖ But it does cost an extra premium and administration fee.
  - ❖ There are private insurance products that insure higher levels of individual revenue.
  - ❖ Enhanced Coverage Option???

# Crop Insurance: High Coverage Options

**Enhanced Coverage Option (ECO)**- Provides a band of area-based yield or revenue protection between 86% and either 90% or 95%.

- ❖ Can be used with or without Supplemental Coverage Option (check your premiums- might be favorable over SCO)
- ❖ Can be used on **either** of Commodity Title Choice (ARC and PLC)
- ❖ Eligible for Revenue Protection, Revenue Protection Harvest Price Exclusion, Yield Production (not Area products)

## Expected Revenue



I like to think of these as Two **Separate** Policies

- ❖ You do not have coverage from 95% down.

Example:

- ❖ Farm Revenue comes in at 82%
- ❖ County Revenue comes in at 95%
- ❖ Area coverage makes sense if losses are widespread.
  - ❖ Low prices
  - ❖ Drought



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# Federal Title 1 Commodity Programs

# Farm Bill Election: Can We Use History to Help

**Question:** Since ARC and PLC both use the season average market price in their formula how sensitive are program payments to the previous years MYA price??

**Example:** the estimated corn price for 2023/24 reported by WASDE in January was \$4.81/bu. (reminder that 2020/21 doesn't end till Aug. 31, 2024.) The effective reference price for program year 2024 is \$4.01.

**Corn Ratio:**  $\$4.81/\$4.01 = 120\%$

**Soybean Ratio:**  $\$12.75/9.26 = 138\%$

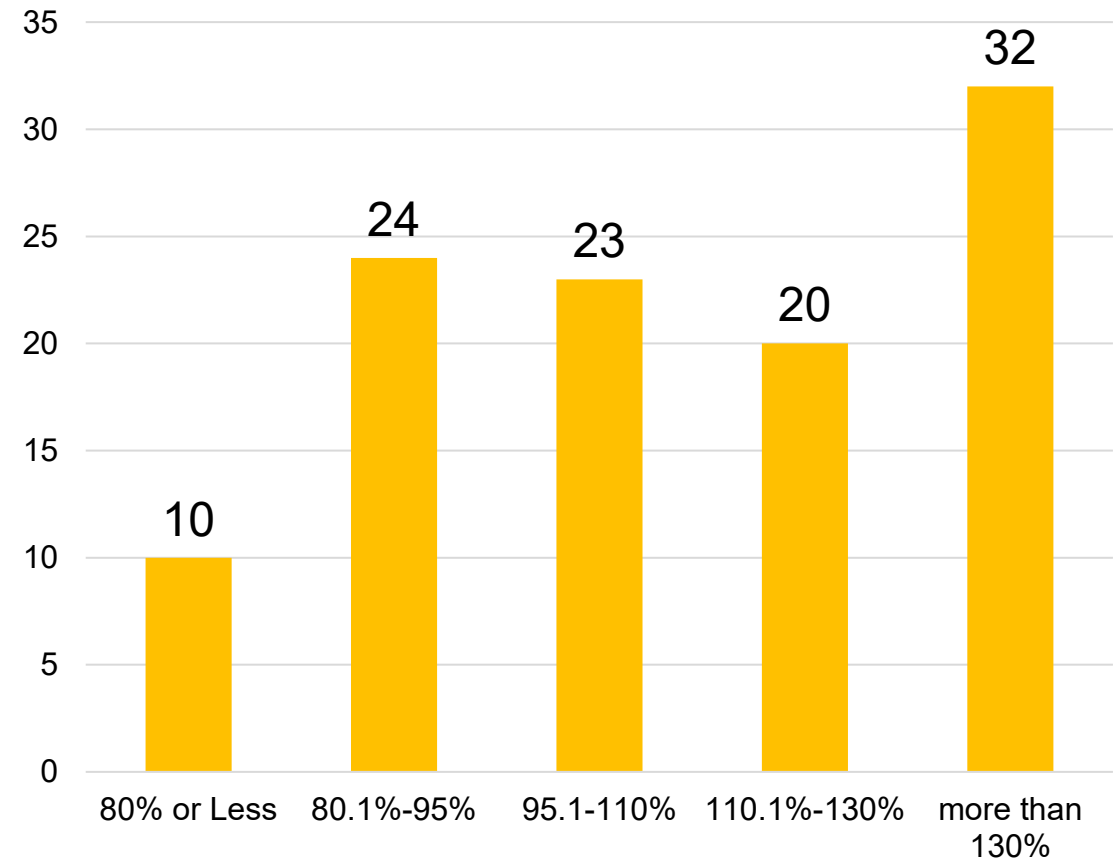


# Farm Bill Election: Can We Use History to Help

Three key differences between ARC and PLC inform this analysis:

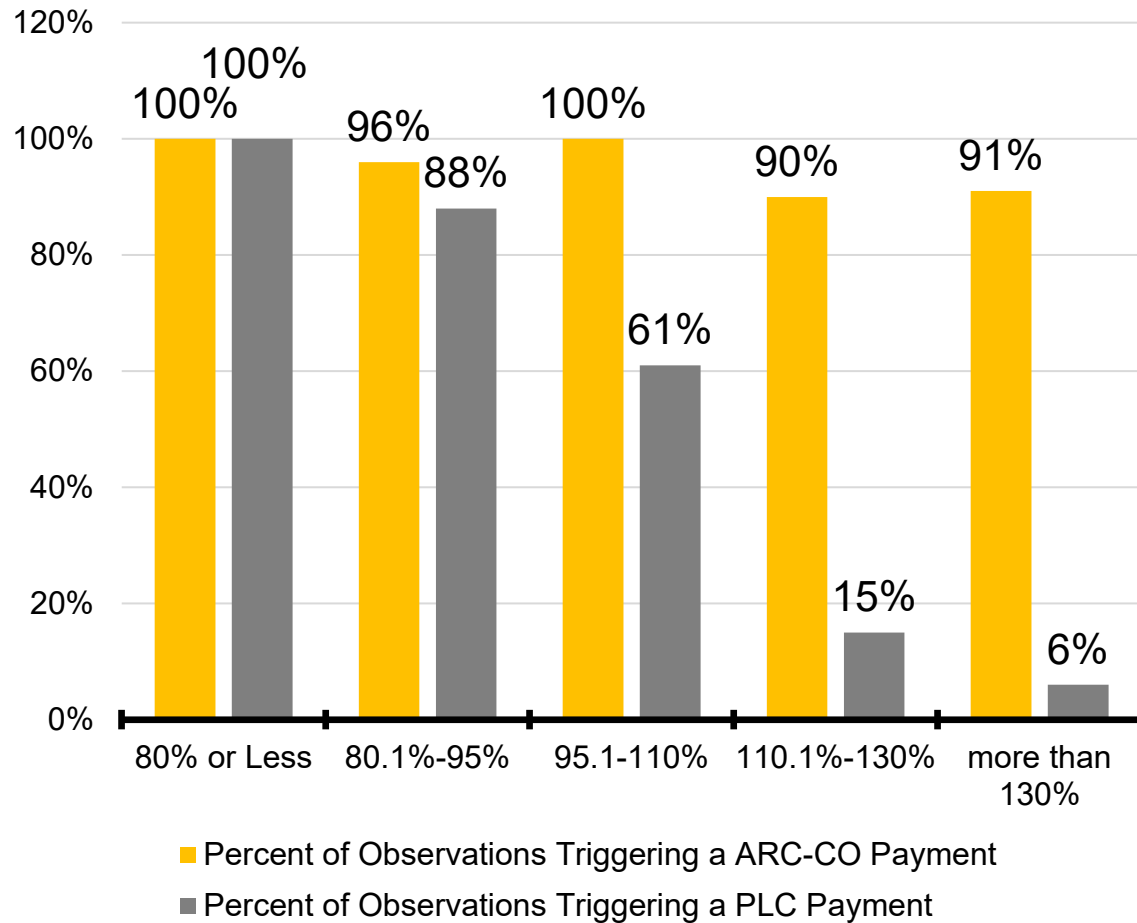
1. PLC only helps when the MYA price falls below the effective reference with no direct connection to yield changes.
2. Assistance for ARC starts when revenue drops below 86% of the historical revenue vs 100% for PLC.
3. There is a 10% cap on ARC-CO payments (76%-86% of the historical revenue) whereas PLC's reference cap is the commodities loan rate. 2024 PLC caps are:
  1. Corn- 41%
  2. Soybean-26%
  3. Wheat 39%

**Distribution of Observations of Ratio of Prio Years MYA Price and the Commodity's Effective Reference Price**

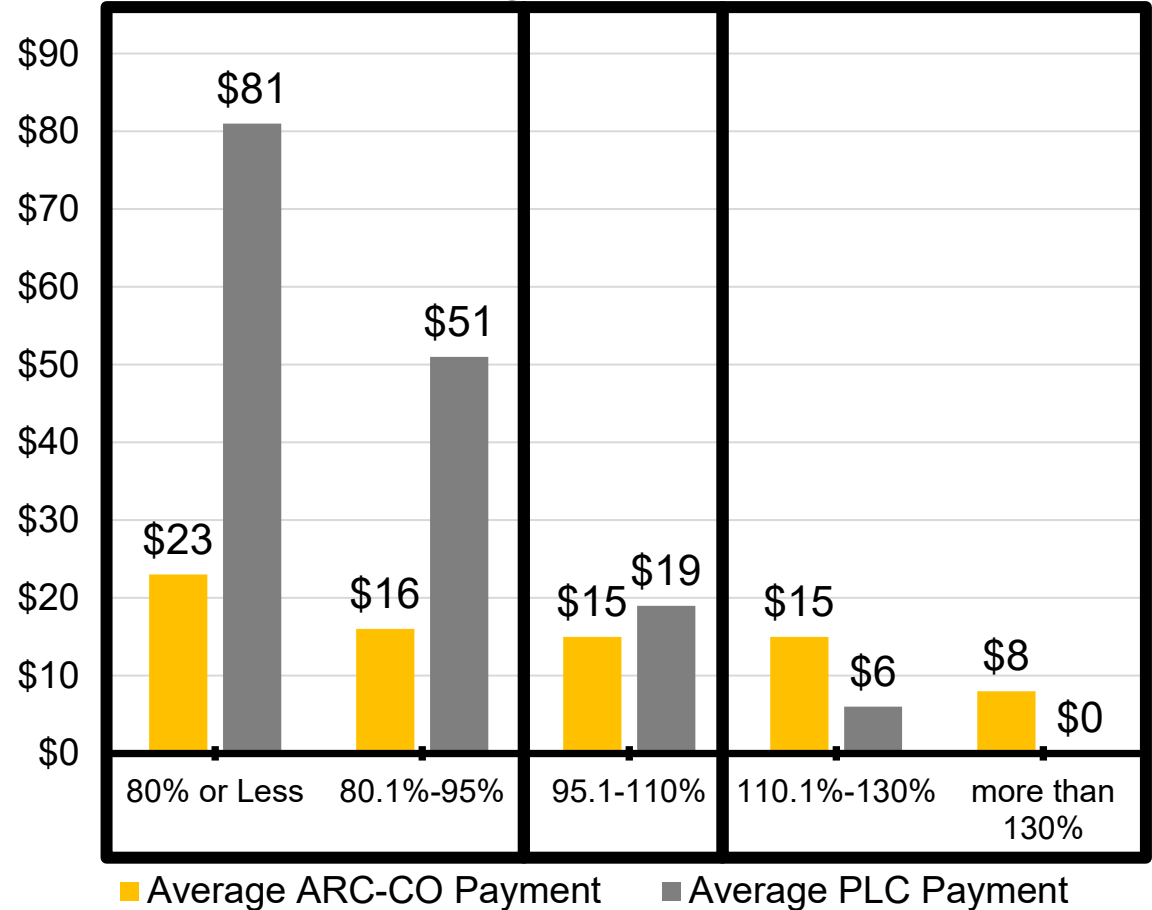


# Farm Bill Election: Can We Use History to Help

**Occurance of Triggering a Commodity Program Payment based on a Ratio of Prior Year MYA to Reference Price**

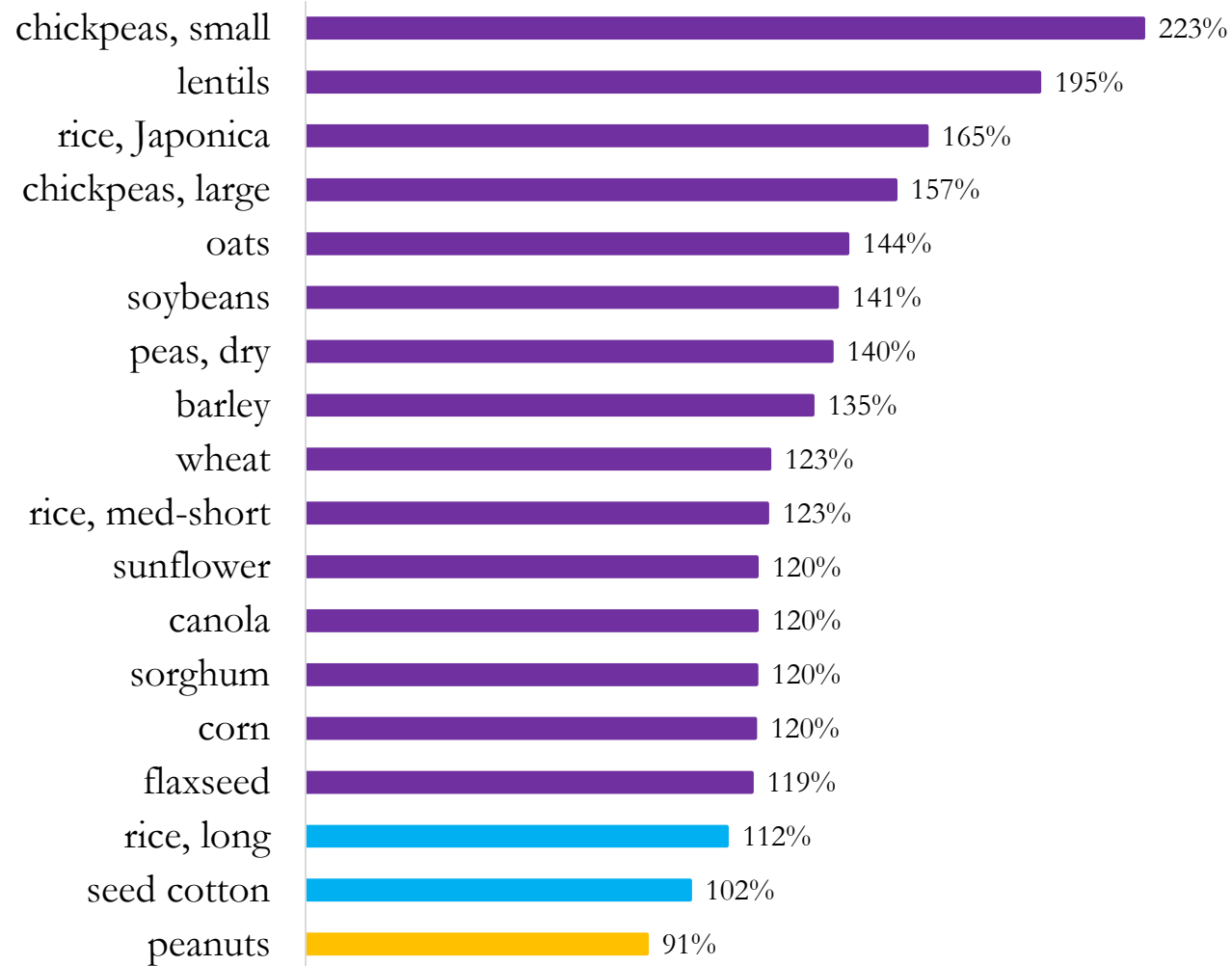


**US Average ARC-CO and PLC Payments per Base Acre When Payment was Made by Ratio of Prior Marketing Year to Reference Price**



# Farm Bill Election: Can We Use History to Help

Ratio of 2023/24 US cash price to 2024 crop year effective reference price

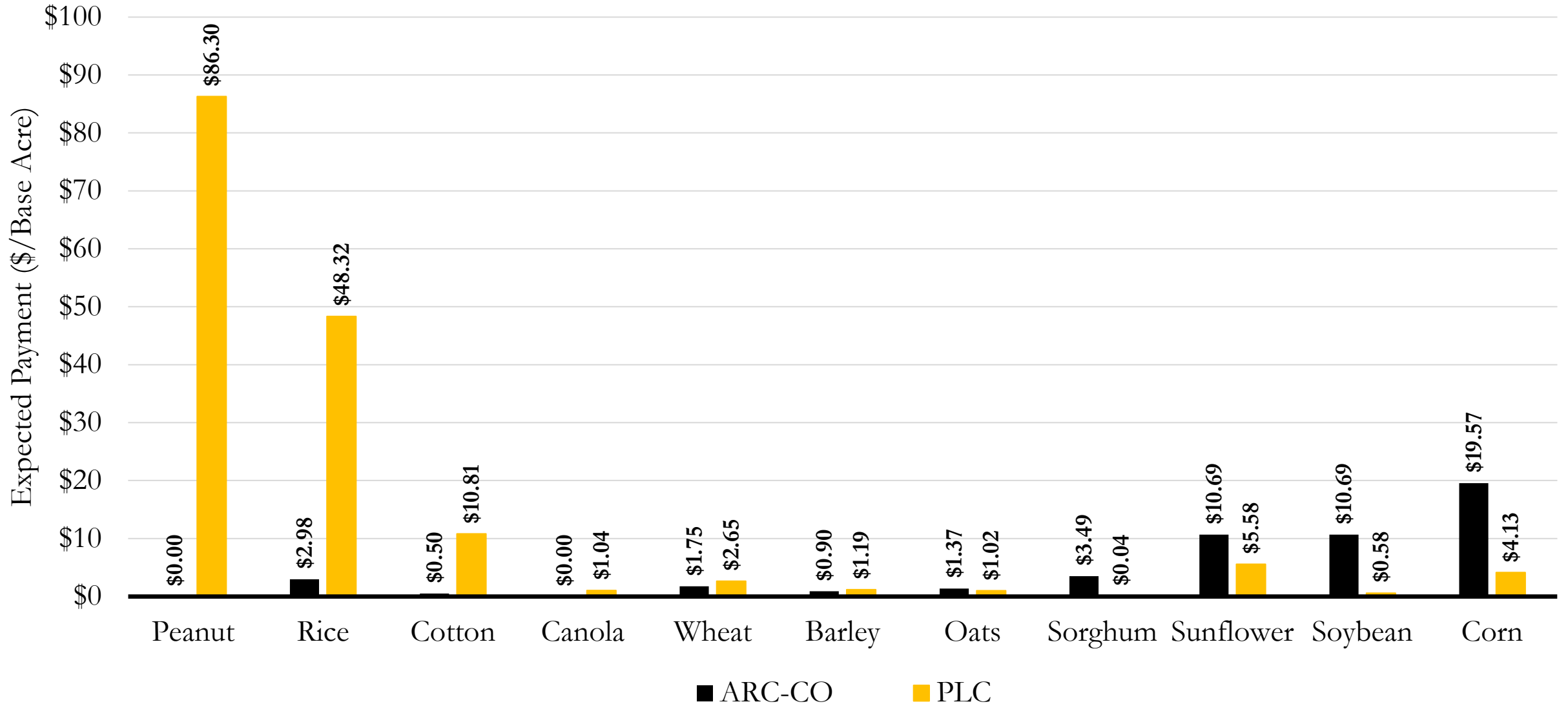


Looking at forecasted MYA prices and expected effective reference prices

- 15 commodities including corn, soybeans and grain sorghum are greater than 12% above signaling that PLC is unlikely or small, and ARC has a higher chance of triggering on a yield shortfall.
- 2 commodities including rice and cotton fall between 5% below and 12% above. Using this strategy there is no signal. A diversified farm approach might be attractive.
- 1 commodity peanuts has ratio below 95%. This signals a higher chance of triggering a payment and a relatively large PLC payment.

# Farm Bill Election: FAPRI Analysis

## Expected ARC-CO and PLC Payments for Program Year 2024





# Farm Bill Election: Where to find Additional Information

University of Illinois: <https://farmdoc.illinois.edu/policy-toolbox>

## Calculation of PLC and ARC-CO Payments

Year	County Yield <sup>1</sup> Bu	MYA Price <sup>2</sup> \$/Bu	Payment <sup>3,4</sup>		ARC-CO Calculations			
			PLC \$/base acre	ARC-CO \$/base acre	Benchmark		County	
					Yield <sup>5</sup> Bu	Price <sup>6</sup> \$/Bu	Guarantee <sup>7</sup> \$ per base acre	Revenue <sup>8</sup> \$ per base acre
2024	152	4.50	\$0	\$0	152.0	4.85	633.78	683.78
Default	151.95	4.50						

Table 1. Payments per Base Acre at Different Yields and Prices

Program Selection	PLC minus ARC-CO	State = Missouri, County = Bates, Crop = Corn, Year = 2024 ARC-CO Benchmark Yield = 151.95, Benchmark Price = \$4.85, Guarantee \$633.78 PLC Yield = 150, Effective Reference Price = \$4.01										
Price Change	\$ 0.25											
Yield Change	5											
-2024	County Yield	2024 Market Year Average Price										
		\$3.25	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00	\$5.25	\$5.50	\$5.75
177	47	53	33	1	0	0	0	0	0	0	0	0
172	34	38	33	1	0	0	0	0	0	0	0	0
167	34	23	27	1	0	0	0	0	0	0	0	0
162	34	8	11	1	0	0	0	0	0	0	0	0
157	34	2	-5	-4	0	0	0	0	0	0	0	0
152	34	2	-21	-21	0	0	0	0	0	0	0	0
147	34	2	-29	-38	-8	0	0	0	0	0	0	0
142	34	2	-29	-55	-26	0	0	0	0	0	0	0
137	34	2	-29	-61	-44	-15	0	0	0	0	0	0
132	34	2	-29	-61	-62	-34	-6	0	0	0	0	0
127	34	2	-29	-61	-63	-53	-26	0	0	0	0	0

\* A positive value indicates that PLC will pay more, a negative value indicates that ARC-CO will pay more.

State  
Missouri

County  
Bates

Crop  
Corn

Reference Price  
\$ 3.7

Practice Type \*  
 Irrigated  Non-Irrigated

Forecast Model  
Forecast

PLC Payment Yield \*  
165 bu/acre

ARC Trend Yield \*  
1.67 bu/acre

**ARC/PLC Program Inputs**

ARC Coverage Level	86 %
ARC Coverage Range	10 %
Payment Acres	85 %

**RUN MODEL**

# Farm Bill Election: What about ARC-IC?

- ❖ As a reminder- ARC-IC is for all crops on your operation and blended with all other ARC-IC farms for that individual in the same state.
- ❖ Recommendations
  - ❖ If interested, pick farms with highly variable yields or farms with a history of large prevent plant as a percentage of the total.

**Question I get:** Say I've got a 50-acre farm and I'm going to plant it to one commodity only (corn) can I do ARC-IC and get free revenue insurance??

**Answer:** Yes, but because ARC-IC is benchmarked for below 86% and then only pays out on 65% of base acres that effectively only gives you revenue coverage between 50%-56%.

**ARC-IC Payment Calculator**  
(Calculates ARC-IC Payments for a single FSA farm)

**Input**


State

County

No of Crops

Year

Number	Crop
1	<input type="text" value="Corn"/>
2	<input type="text" value="Soybeans"/>



Corn Benchmark Calculation						Price Calculation		
Yield Calculation						MYA	Effective	Used
Year	Planted	Farm Yield	80% of T-Yield	County Yield	Used Yield <sup>1</sup>	Price	Price	Price <sup>2</sup>
						\$ per Bu		
2015	No		99.2	148.2	148.2	3.61	3.70	3.70
2016	No		100.0	168.2	168.2	3.36	3.70	3.70
2017	No		92.8	165.2	165.2	3.36	3.70	3.70
2018	No		92.8	167.5	167.5	3.61	3.70	3.70
2019	No		92.8	136.7	136.7	3.56	3.70	3.70

Benchmark Revenue Calculation				Effective Reference Price	MYA Price
Year	Used Yield <sup>1</sup>	Used Price <sup>2</sup>	Revenue		
2015	148.2	3.70	548.34	Calculation 2015 3.61 2016 3.36 2017 3.36 2018 3.61 2019 3.56 85% of Olympic Average 2.98 Statutory Reference Price 3.70 Effective Reference Price <sup>3</sup> 3.70	2015 3.61 2016 3.36 2017 3.36 2018 3.61 2019 3.56
2016	168.2	3.70	622.49		
2017	165.2	3.70	611.17		
2018	167.5	3.70	619.86		
2019	136.7	3.70	505.79		
			\$ per acre		
			<b>Benchmark Revenue<sup>4</sup></b>	<b>593.12</b>	

<sup>1</sup> If the crop is planted, the higher of farm yield or 80% of T-yield. If not planted, the county yield is used. **In the near future, T-yields will be updated.**

<sup>2</sup> The higher of the MYA price or effective reference price.

<sup>3</sup> Higher of 85% of Olympic average or statutory reference price, capped at 1.15 time reference price

<sup>4</sup> Olympic average of five previous revenues.

# Farm Bill Election: Where to find Additional Information

Click for a hub of Extension resources related to the current COVID-19 situation.

**COVID-19 Resources**



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Home > Browse > Featured Solutions > Farm Bill Decision Aid Tool

## Farm Bill Decision Aid Tool

### FEATURED SOLUTIONS



Online Courses, Training & Education

Animals

Communities & Business

Crops & Soil

Disasters & Safety

Families



The [Farm Bill Decision Aid Tool](#) is an online educational tool that assists

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SURVEY  
Online

<https://agriflifeextension.tamu.edu/solutions/farm-bill-decision-aid-tool/>

# Commodity Program: **ARC & PLC Pitfalls**

- ❖ 1 Base acre does not necessarily equal 1 planted acre of the same crop.
- ❖ Most operations do not have 100% base on all the acres they plant- especially in areas that have lots of pasture or historically had pasture. Programs only pays on 85% or 65% of eligible base acres.
- ❖ Timing- Payments come in October after the marketing year is complete.
- ❖ One sided- only calculated based on price or revenue. Costs are not considered.
- ❖ County level aggregation for ARC-CO. – Smoothing out of averages.
- ❖ Does not manage long-lasting risks. (Multiple revenue years)

# Poll Question #5: Will every corn acre planted in 2024 be eligible for an ARC-CO or PLC payment?

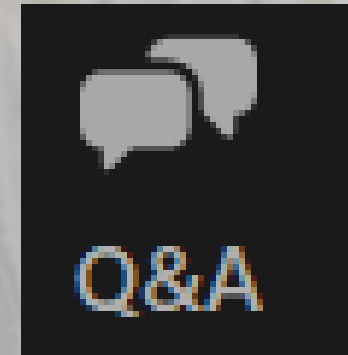
- A. Yes
- B. No

# Poll Question #6: Which program protects against only relatively low prices?

- A. Price Loss Coverage
- B. Agricultural Risk Coverage
- C. Supplemental Coverage Option
- D. Enhanced Coverage Option

# *Questions??*

- ❖ Feel free to submit questions at any time using the Q/A chat feature at the bottom of your screen.
- ❖ You can also email questions to Ben Brown at [bbrown@missouri.edu](mailto:bbrown@missouri.edu)
- ❖ We will try to answer as many questions as we can at the end of each presentation and at the end of all presentations. A full list of questions with responses will be available at [fapri.missouri.edu](http://fapri.missouri.edu) under “events”.



# 2024 CROP INSURANCE DECISIONS

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*February 28 | 11 a.m.-12 p.m. CST*

*Featuring experts from the University and USDA  
Risk Management Agency*

*[fapri.missouri.edu/aglenderseminars-webinars/](https://fapri.missouri.edu/aglenderseminars-webinars/)*



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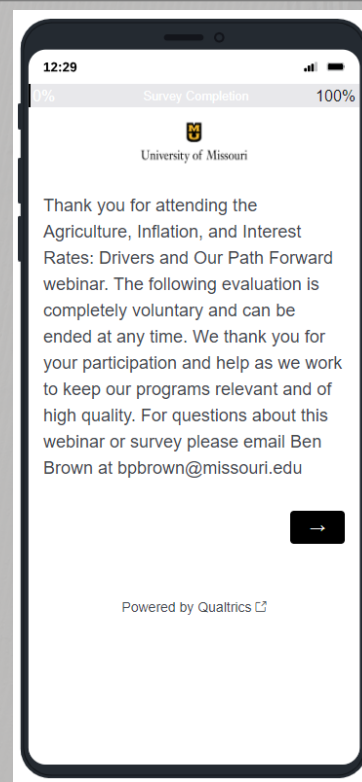
Food & Agricultural Policy Research Institute  
Rural & Farm Finance Policy Analysis Center



# Evaluations

**Please help us continue to offer high quality programs by completing our evaluation upon completion of the webinar.**

- ❖ The internet-based evaluation will start when you exit the zoom.
- ❖ Takes roughly 3 minutes
- ❖ Responses will be completely private



**The evaluation is designed to capture how effective our program was at meeting key objectives.**

1. Provide a structural overview of Federal commodity safety net programs,
2. Overview key decision dates and producer/landowner actions,
3. Offer commentary about expected payments and decisions for program year 2024, and
4. Bring awareness to decision tools available to producers and lenders.



# *Thank you!*



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This program is possible due to the work of the presenters, the Food and Agricultural Policy Research Institute, the Rural and Farm Finance Policy Analysis Center, and MU Extension.

All conference materials and presentations will be available at [fapri.missouri.edu](http://fapri.missouri.edu) for any comments about the conference please email Ben Brown at [bbpbrown@missouri.edu](mailto:bbpbrown@missouri.edu).