Farmland IN PERSPECTIVE

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GOODWIN

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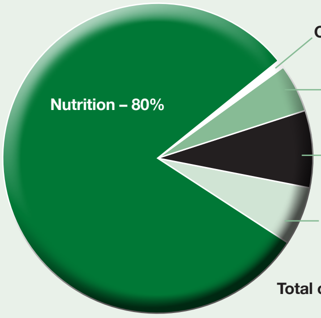
80% of 2014 farm bill outlays go for nutrition programs

The new U.S. farm bill, the Agricultural Act of 2014, makes major changes in commodity programs, adds new crop insurance options, streamlines conservation programs, modifies provisions of the Supplemental Nutrition Assistance Program (SNAP), and expands programs for specialty crops, organic farmers, bioenergy, rural development, and beginning farmers and ranchers.

The Congressional Budget Office (CBO) projects that 80% of its outlays will fund nutrition programs; 8%, crop insurance programs; 6%, conservation programs; 5%, commodity programs; and the remaining 1%, all other programs, including trade, credit, rural development, research and extension, forestry, energy, horticulture, and miscellaneous programs.

Projected outlays under the 2014 Farm Act, 2014–2018



Source: USDA, Economic Research Service using data from Congressional Budget Office, Cost Estimates to the Agricultural Act of 2014, Jan 2014.

What Landowners Need to Know About the New Farm Bill

by Jonathan Coppess and Todd Kuethe • University of Illinois

On February 7, 2014, President Obama signed the Agricultural Act of 2014 into law. Key changes in the new farm bill may have lasting impacts for landowners.

Direct Payments Eliminated

Direct payments have been made in some form or fashion since the 1996 farm bill; however, this farm bill eliminates the payments beginning with the 2014 crop year. The only exception is for those farms that have base acres for upland cotton, which are set to receive transitional payments for the 2014 and 2015 crop years only.

Farm Bill Decisions

Program decisions made for the 2014 crop year will have lasting impacts for all farms. The following decisions apply to the 2014 crop year and cannot be changed or revoked for the life of the farm bill: *(1)* Reallocation of base acres on the farm; *(2)* Updating of payment yields for the farm; and *(3)* The selection of the specific program applicable to the farm.

The farm bill also directed the USDA to review current eligibility requirements based on being “actively engaged” in farming, but the final outcome for these requirements are yet to be determined.

Base Acres

All of the programs in this farm bill make payments utilizing base acres. Farm owners can choose to revise how the base acres on the farm are allocated among program crops to better reflect recent crop plantings. The total number of base acres on the farm, however, must remain fixed. If the farm owner elects to reallocate the farm’s base acres, the new base acre allocation will be determined by the average acreage planted to program crops for the 2009 through 2012 crop years.

For example, consider a farm with 100 base acres allocated 55 acres to corn, 35 acres to soybeans and 10 acres to wheat. From 2009 through 2012 the average plantings on the farm were 75 acres corn and 25 acres soybeans.

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Previously, he served as Chief Counsel of the Senate Committee on Agriculture, Nutrition and Forestry for Chairwoman Debbie Stabenow. Prior to joining the Ag Committee, Coppess was Administrator of the Farm Service Agency at USDA. Before being appointed at USDA, he was a Legislative Assistant for Senator Ben Nelson. Coppess grew up on his family's corn and soybean farm in Western Ohio and practiced law in Chicago before moving to Washington to work on agriculture policy. He earned his Bachelor's from Miami University in Oxford, Ohio, and his Juris Doctor from The George Washington University Law School in Washington, DC.

Todd H. Kuethe, Ph.D., *is a Clinical Assistant Professor of Land Economics at the TIAA-CREF Center for Farmland Research in the Department of Agricultural and Consumer Economics at the University of Illinois. Kuethe conducts research on farm real estate markets, farm management, and agricultural policy. He has published more than 20 scholarly articles in leading field journals, including* Land Economics, Regional Studies, *and* Empirical Economics, *and is a regular contributor to University of Illinois'* farmdocDaily. *His work has been profiled in a number of major media outlets including the* Wall Street Journal, USA Today, *and* Business Week. *He is a Co-editor of the* Journal of Applied Farm Economics *and a member of the Editorial Board of* Agricultural Finance Review. *Kuethe was awarded the Outstanding* Choices *Article Award by the Agricultural and Applied Economics Association in 2012.*

Prior to joining the University of Illinois he was an economist with the USDA Economic Research Service.

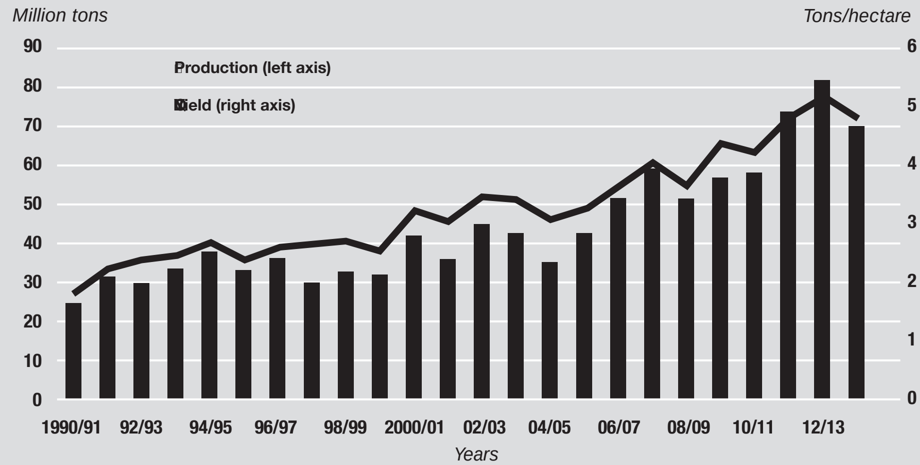
Corn yield growth supports rapid expansion of Brazilian corn production

Rising yields have been the primary driver of growth in Brazil s corn production since the mid-2000s. Production gains have allowed Brazil to meet rising domestic corn demand, as well as emerge as a major corn exporter, according to the Economic Research Service of the U.S. Department of Agriculture. New high-yielding varieties, the introduction of GMO corn, improved cultural practices, and a shift to higher-yielding land have supported long-term yield growth.

A large share of second-crop corn is planted following soybeans in the frontier agricultural State of Mato Grosso, where corn production quadrupled during the past decade. In 2011/12 and 2012/13 (March/February marketing year), above-average rains in Mato Grosso pushed corn yields and production to record levels. For 2013/14, lower corn prices caused reductions in corn area and, with the assumption of more normal weather, corn yields are forecast below the 2012/13 record.

Brazil is the world s third largest corn producer after the United States and China. Brazil became the world s largest corn exporter in 2012/13 when the U.S. corn crop was damaged by drought, but is forecast to be the second largest exporter in 2013/14.

Corn production and yields in Brazil



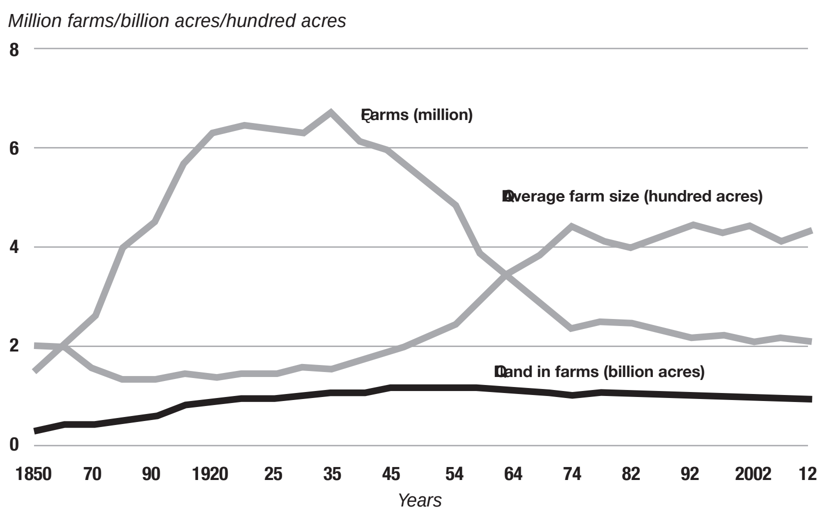
Source: USDA, Economic Research Service using USDA, Foreign Agricultural Service PS&D Online database.

2012 Census of Agriculture shows fewer U.S. farms

After peaking at 6.8 million farms in 1935, the number of U.S. farms fell sharply until leveling off in the early 1970s. Falling farm numbers during this period re ected growing productivity in agriculture and increased nonfarm employment opportunities, according to the Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA).

Because the amount of farmland did not decrease as much as the number of farms, the remaining farms have more acreage on average, about 430 acres in 2012 versus 155 acres in 1935. Preliminary data from the recently released Census of Agriculture show that in 2012, the United States had 2.1 million farms down 4.3% from the previous Census in 2007. Between 2007 and 2012, the amount of land in farms in the United States continued a slow downward trend, declining from 922 million acres to 915 million.

Farms, land in farms, and average acres per farm, 1850–2012



Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, Census of Agriculture.

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