

1

What do you expect farm income on crop farms in Illinois to be in 2020 relative to 2019?

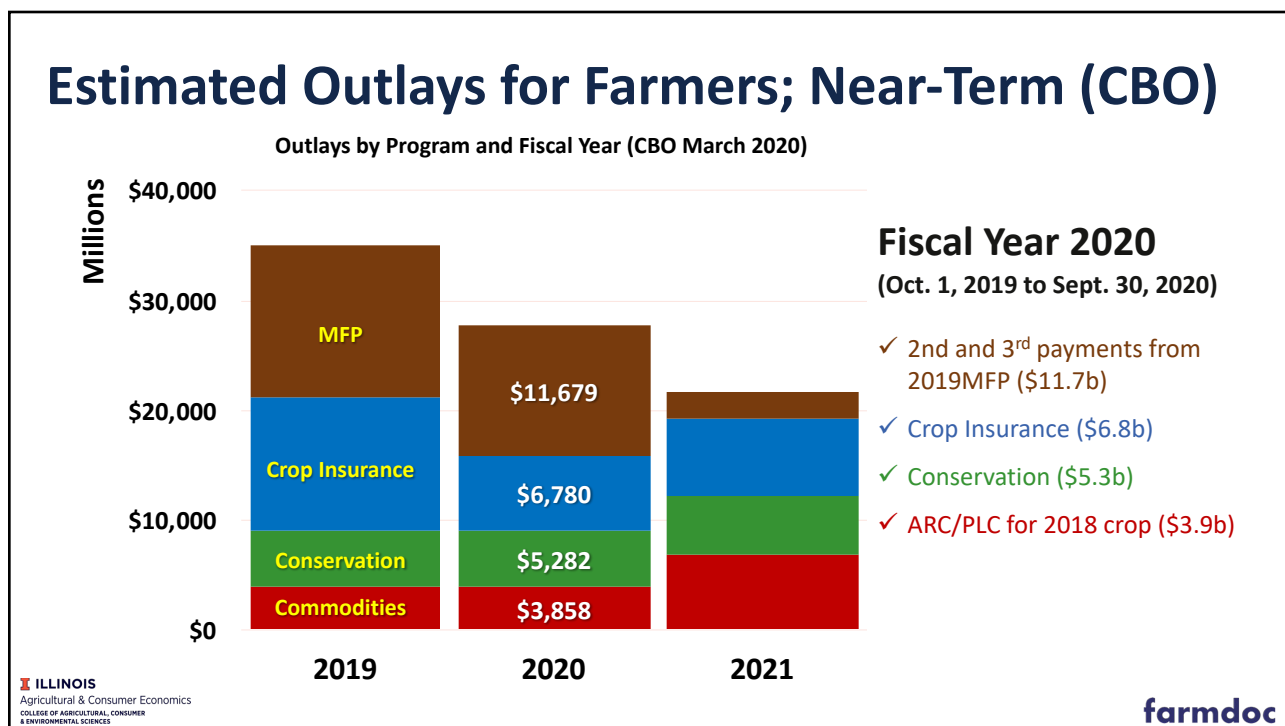
Include MFP-like and CFAP program payments in your expectations.

- Increase significantly
- Increase
- Remain the same
- Decrease
- Decrease significantly

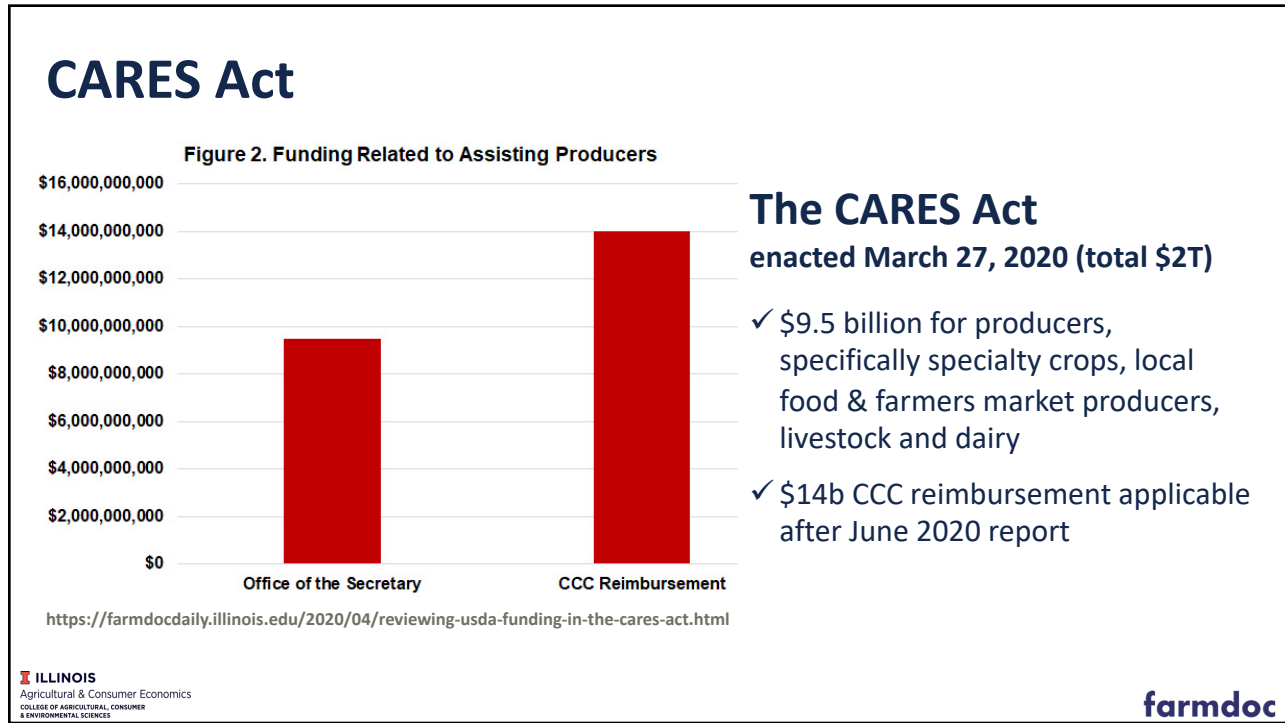
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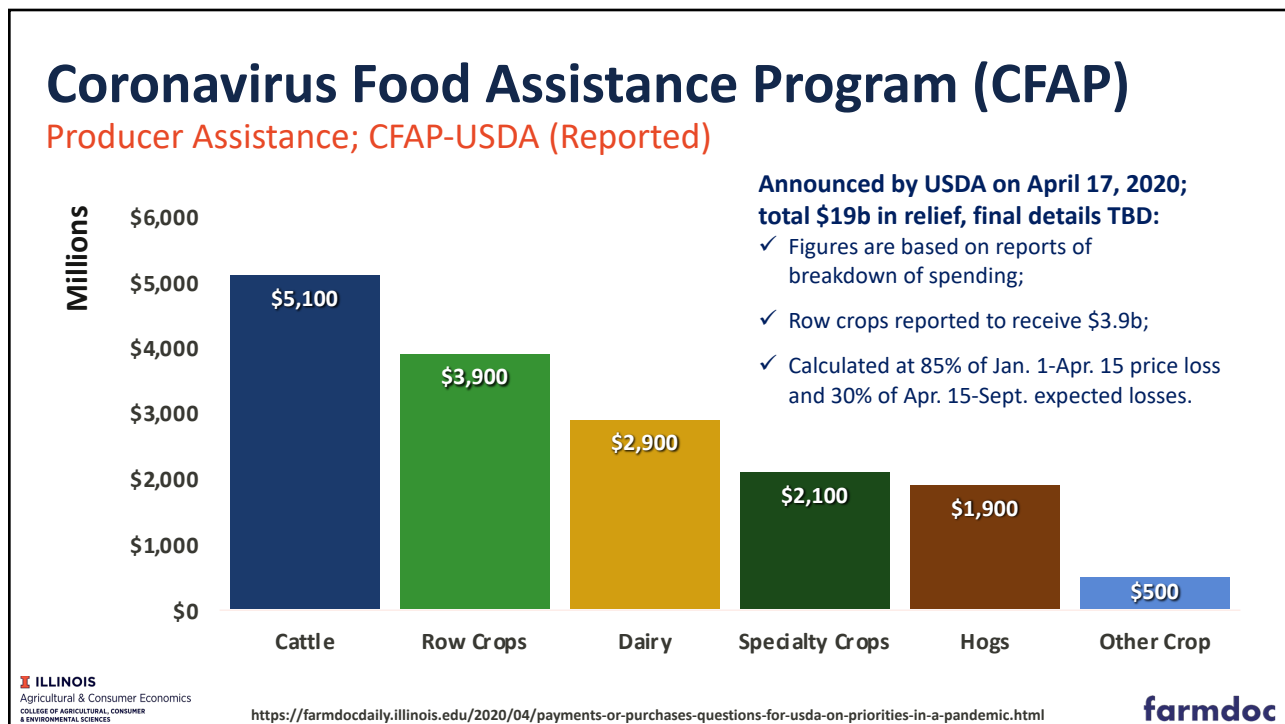
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House (May 12, 2020): HEROES Act

- Livestock & Poultry**
 - Assistance for losses for depopulation (85% first 30 days)
 - \$300m for animal disease
- Dairy**
 - \$500m for direct donation of dairy products
 - \$500m for loans to dairy processors
 - Supplemental dairy margin coverage payments
- Specialty crops, etc.**
 - \$100m for grants to states to help specialty crop farmers
 - \$50m for grants to local ag market entities
 - \$50m for training and outreach, beginning, disadvantaged, etc.
 - \$28m grants for farm stress assistance programs

House (May 12, 2020): HEROES Act

- Biofuels & Cotton users**
 - Payments at \$0.45 per gallon produced Jan 1 to May 1 (or 50% of 2019 if none produced)
 - \$0.06 per pound for cotton consumed
- Direct payments to producers**
 - \$16.5 billion for CFAP
 - 85% of 2nd quarter “actual losses” for CFAP commodities
 - 85% of 1st and 2nd quarter “actual losses” for non-CFAP commodities.
- CCC**
 - Changes for powers to aid in livestock/poultry disposal and for supply chain issues;
 - Notification on spending
- Conservation**
 - Soil health program: 5m acres at \$70 per acre and up to \$30 per acre for putting cropland (3 years production) into soil conserving use for 3 years.

House (May 12, 2020): HEROES Act

Enhanced projects for donated foods

- \$25m for meat, dairy, poultry or specialty crop harvesting-packaging-donation (to states)

Added flexibility

- To programs for emergency food assistance, seniors farmers' markets and native American reservations programs.

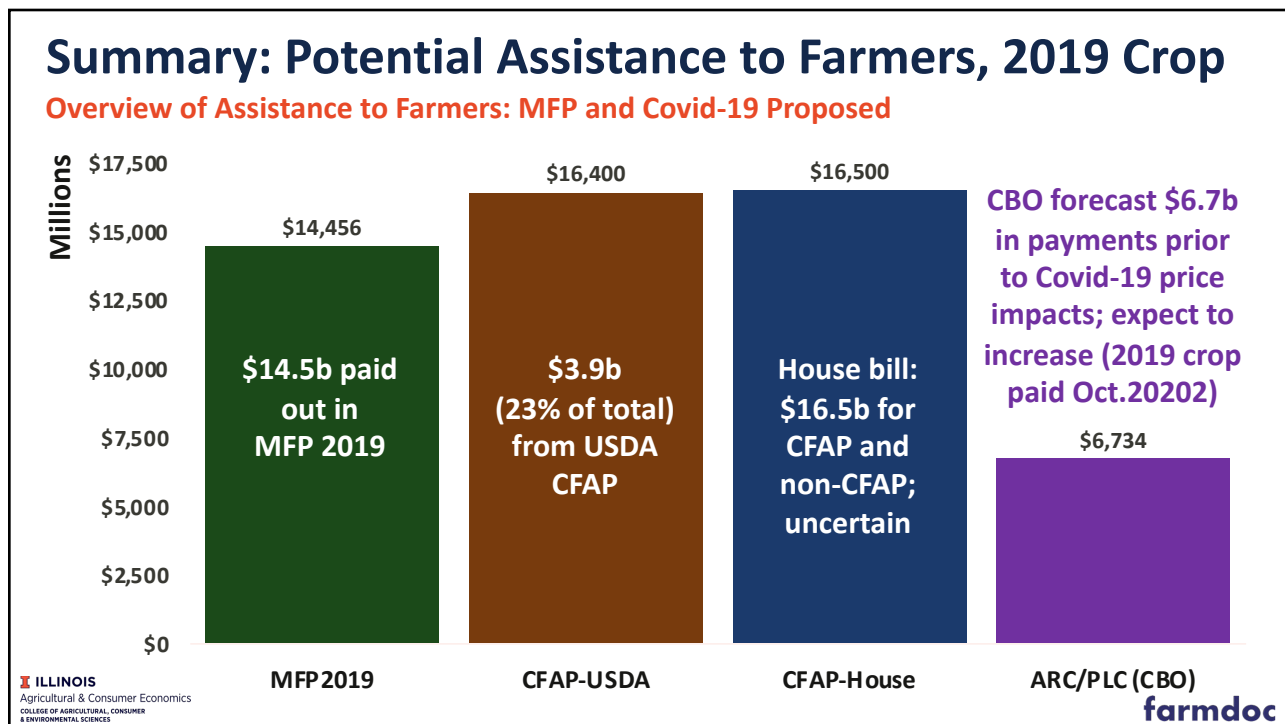
SNAP

- Increase in benefits using 115% of the 2019 thrifty food plan
- \$300m for admin costs in 2020 and 2021 FY; blocks USDA rules.

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MFP payments on 2019 production averaged about \$70 per acre in Illinois.

What are your expectations for 2020 payments from MFP-like and CFAP programs in 2020?

- Over \$100 per acre
- Between \$50 and \$100 per acre
- Between \$25 and \$50 per acre
- Less than \$25 per acre

**Agricultural Policy Innovations:
Recent Past and Next Year**



Nick Paulson

Existing Farm Safety Net

Commodity Title

- ARC/PLC
 - Multi-year adjustments to ARC guarantees
 - Fixed price floor for PLC
 - Base acres
- MAL
 - Actual production

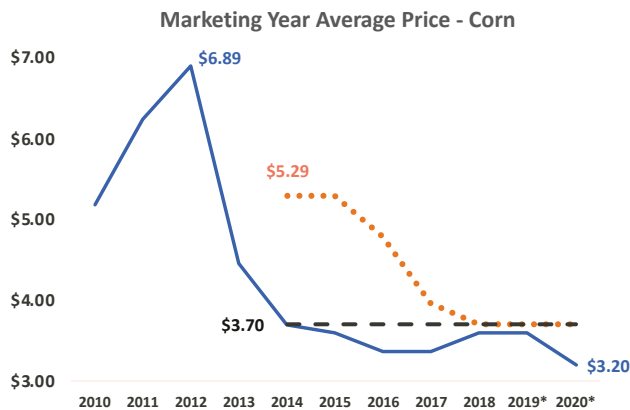
Crop Insurance

- Fixed coverage level options
- Annual adjustments to guarantees
- Planted acres

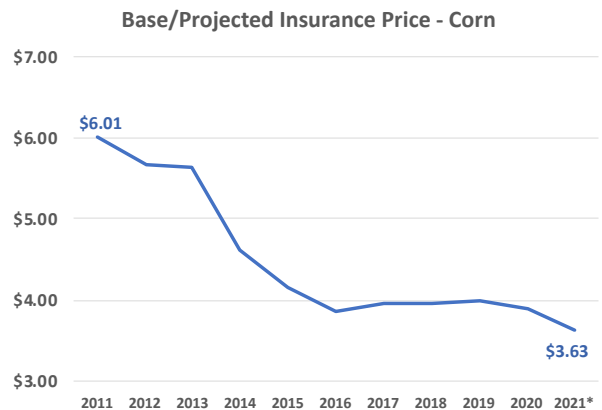
Farm Bill programs debated by Congress and in place during life of current legislation

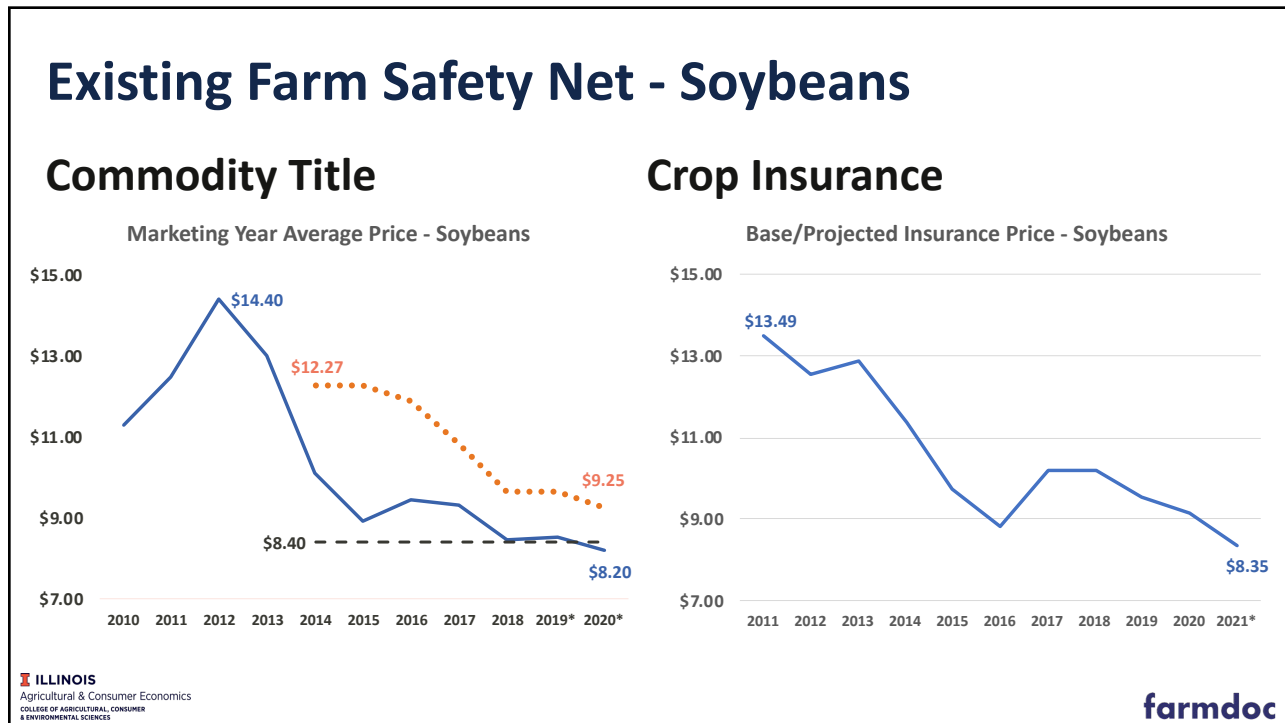
Existing Farm Safety Net - Corn

Commodity Title



Crop Insurance





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Trade Wars, and Flooding, and Pandemics, Oh My!

- 2018
 - MFP payments
 - Good yields
- 2019
 - MFP payments
 - Prevent plant “top up”

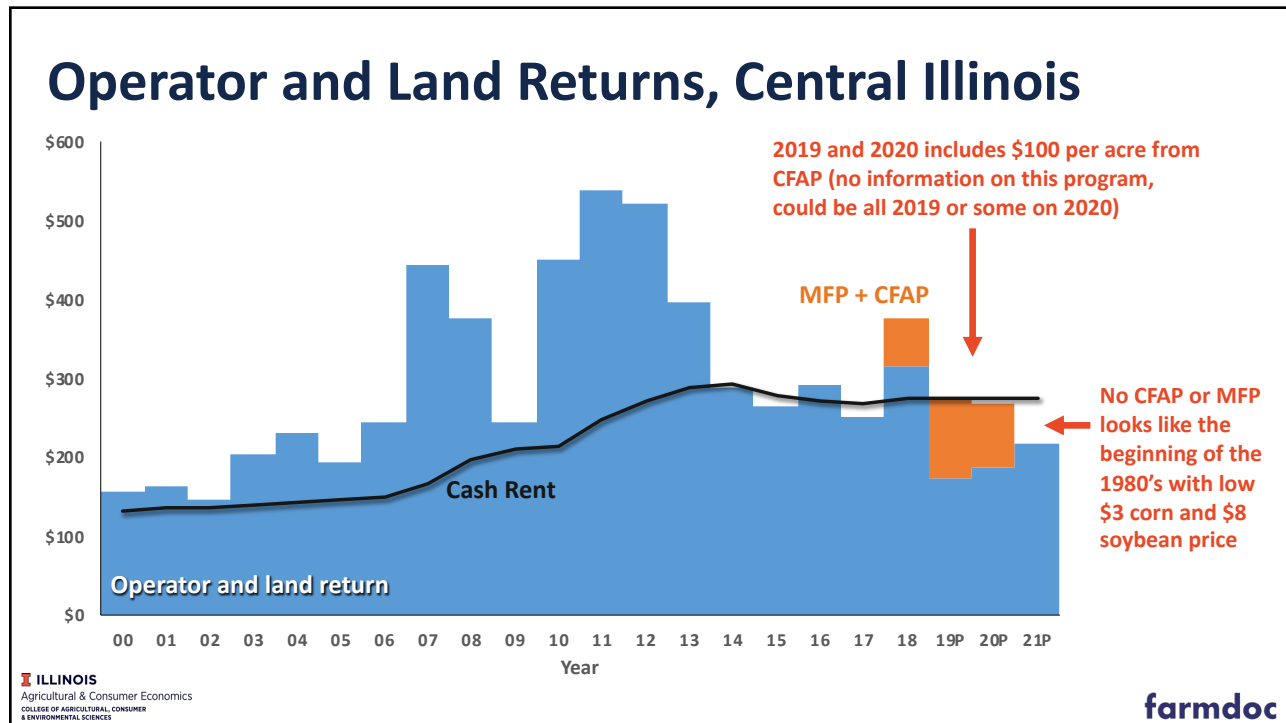
- 2020
 - CARES Act
 - CFAP
 - PPP, EIDL
 - House HEROES Act
- 2021 and beyond?

ad hoc programs authorized by the Administration, run through USDA

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What do you expect MFP and CFAP-like payments to be in 2021?

- Continue over \$50 per acre
- Between \$0 and \$50 per acre
- I do not expect a continuation of these program in 2021

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Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208	215	75	64	68
Price per bu	\$3.60	\$3.55	\$3.20	\$9.36	\$8.55	\$8.20
Crop revenue	853	738	688	702	547	558
ARC/PLC	0	10	30	0	10	30
MFP	1	82	0	122	82	0
CFAP		20	80	0	20	80
Crop insurance	2	10	0	2	10	0
Gross revenue	856	860	798	826	669	668
Total non-land costs	574	606	571	353	372	359
Operator and land return	282	254	227	473	297	309
Cash rent	274	275	275	274	275	275
Farmer return	8	-21	-48	199	22	34



- 2019 farm return has been lowered because of lower prices
- Built into budgets is \$100 of CFAP payments, \$20 for 2019 crop and \$80 for 2020. **Those are not for certain**
- **Overall lower returns for 2019 and 2020, lower income**

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Added 2021 Budgets (no MFP or CFAP)

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	215	217	75	64	68	68
Price per bu	\$3.60	\$3.55	\$3.20	\$3.40	\$9.36	\$8.55	\$8.20	\$8.30
Crop revenue	853	738	688	738	702	547	558	564
ARC/PLC	0	10	30	20	0	10	30	20
MFP	1	82	0	0	122	82	0	0
CFAP		20	80	0	0	20	80	0
Crop insurance	2	10	0	0	2	10	0	0
Gross revenue	856	860	798	758	826	669	668	584
Total non-land costs	574	606	571	571	353	372	359	359
Operator and land return	282	254	227	187	473	297	309	225
Cash rent	274	275	275	275	274	275	275	275
Farmer return	8	-21	-48	-88	199	22	34	-50

- A bit higher prices
- No additional payments (after the election)
- Much lower returns

Cash Rents for 2021

- Be very careful in setting 2021 cash rents
Consider that there may not be MFP, CFAP payments in 2021
- Evaluate price prospects at the end of the summer
If futures markets suggesting low \$3 and low \$8 soybeans cash prices for 2021, lower cash rents or use a variable cash rent
- If use a cash rent
Build clause in for cash rent levels with and without additional MFP and CFAP payments in 2021

Advice

With additional government aid (more than currently announced Coronavirus Food Assistance Program), most crop farms will be “ok” (not great, not without financial losses) at the end of 2020. 2021 is the question

- Consider planting soybeans on “switchable” acres
- Consider the PPP and EIDL program, conserve all working capital
- Start marketing remaining 2019 crop
- Adjust 2020 crop marketing goals to lower prices
- Danger point: Setting cash rents for 2021



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Upcoming Webinars

What is the Outlook for the Ethanol Industry Going Forward?

11:00 to 11:45am CT, Tuesday May 19th

The ethanol production industry has been severely impacted by demand destruction caused by coronavirus restrictions. The purpose of this webinar is to examine the financial damage done to the industry and the outlook for recovery through the end of 2020. Scott Irwin and Todd Hubbs of the farmdoc team will be joined by Eric Moseby, General Manager of Lincolnland Agri-Energy in Palestine, Illinois to discuss these issues.

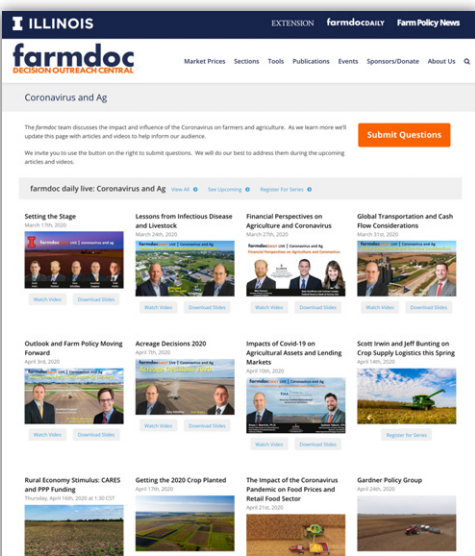
Coronavirus and The Pork Industry: Perspectives from The Maschhoffs

11:00 to 11:45am CT, Friday May 22nd

Bradley Wolter, CEO of The Maschhoffs, will share his perspectives on the impacts that Coronavirus has had on the pork industry, with discussion on human resource, pig health, and supplier issues. Gary Schnitkey will provide an economic update as well as background on recent trends in the pork industry.



Thank You for joining us! Please submit your questions



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