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1-22-2020

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Giri, Anil; Peterson, Wesley; and Sharma, Sankalp, "Comparison of 2018 and 2019 Market Facilitation Program Payments for Nebraska Producers" (2020). *Cornhusker Economics*. 1037.
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AGRICULTURAL ECONOMICS

January 22, 2020

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Cornhusker Economics

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Market Report	Year Ago	4 Wks Ago	1/17/20
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	124.00	**No report This week**	124.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	175.38		176.06
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	147.50		150.76
Choice Boxed Beef, 600-750 lb. Carcass.	212.36		212.58
Western Corn Belt Base Hog Price Carcass, Negotiated	52.52		*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	68.66		74.36
*Slaughter Lambs, wooled and shorn, 135-165 lb. National. 133.66	133.66		151.54
National Carcass Lamb Cutout FOB.	385.70		421.11
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.60		4.44
Corn, No. 2, Yellow **Columbus**, bu.	3.49		3.76
Soybeans, No. 1, Yellow **Columbus,** bu.	7.98		8.60
Grain Sorghum, No.2, Yellow Dorchester, cwt.	5.70		6.05
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.29		3.48
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*		*
Alfalfa, Large Rounds, Good Platte Valley, ton.	105.00		107.50
Grass Hay, Large Rounds, Good Nebraska, ton.	87.50		95.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	151.00		158.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	56.50		50.00

*** No Market**

In a previous issue of *Cornhusker Economics* (October 3, 2018, available at https://agecon.unl.edu/cornhusker-economics/2018/market-facilitation-program) we reviewed the sequence of events surrounding the trade war between the United States and China, and, in particular, the response of the Trump administration to the retaliatory tariffs imposed by China on soybeans and other agricultural commodities. The Market Facilitation Program (MFP) has been the main mechanism for compensating farmers for losses associated with the trade war. In the past year, there have been several important changes related to these events:

1. On January 15, 2020, the first phase of a trade deal between the United States and China was signed. While the agreement did not resolve many of the issues that had been offered as justification for the trade war (e.g., intellectual property protections, Chinese government subsidies to state-owned enterprises) and most of the tariffs applied by both sides remain in place, it did include a commitment by China to increase purchases of U.S. goods (including agricultural products) by $200 billion over the level in 2017 over the next two years. According to Sherman (2020), the Chinese government has indicated that the increased purchases will be contingent on market demand and some analysts are skeptical that the increased purchases will be realized. If they are, however, it would appear that the rationale for the MFP would largely disappear.
2. The MFP was continued in 2019 and there is currently no indication that it will be closed out in 2020. The 2019 program is very similar to the 2018 program with three major eligibility require-

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ments for both years. Producers or legal entities must have followed all conservation regulations and have average gross revenue of less than $900,000 between the years of 2014 to 2016. There are two differences between the 2018 and 2019 MFPs. The first is that the 2019 program allows a producer or entity to receive up to $250,000, double the 2018 cap. The second is that the 2019 program has a set price for each county calculated on a per-acre basis instead of on a per-bushel basis as was the case for the 2018 program (see Figure 1). County payment rates were determined by estimates of the impact of the trade war in each county and vary between $15 and $150 per acre (USDA, 2019). Another change is that the 2019 program is not limited to the grain and livestock commodities covered in 2018 but rather is extended to cover virtually all agricultural commodities. Both specialty (e.g., tree nuts, grapes, cranberries, etc.) and non-specialty crops (corn, wheat, peanuts, cotton, etc.) are included in the program (USDA, 2019). Expenditures under the 2019 plan were anticipated to reach $14.5 billion to be distributed in three tranches, two in 2019 totaling $10.33 billion with the remainder distributed in 2020 (Paulson et al., December 12, 2019). In 2018 payments were made based on specific commodities and the quantities produced. For example, soybean producers received $1.65 per bushel actually produced while the corn payment was $0.01 per bushel. In 2019 payments are based on rates assigned by the government for each acre in the United States multiplied by the number of acres planted in 2019. In Boone County, Nebraska, for example, producers will be paid $69 per acre planted of all eligible crops (USDA, 2018; 2019). The full list of per-acre payments for all the 93 Nebraska counties is shown in Figure 1. As stated earlier, both corn and soybean producers, as long as they meet the requirements, will receive the same per acre payment shown for their county.

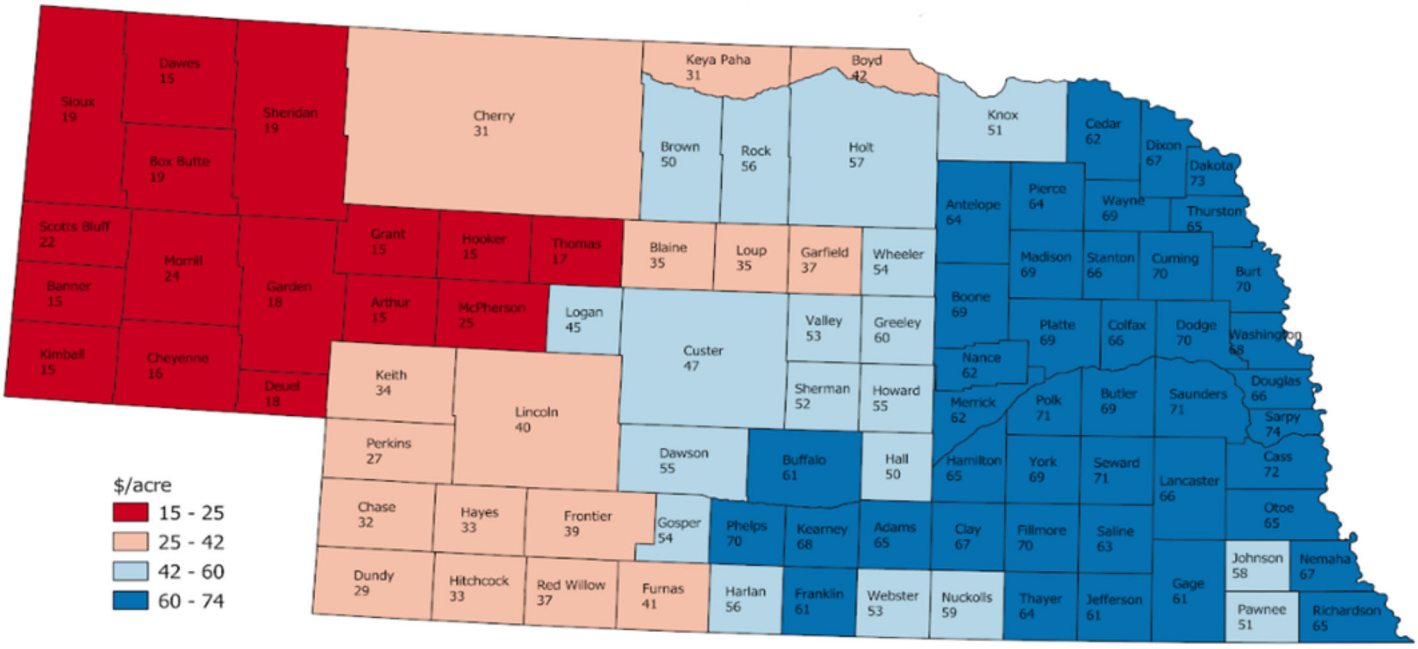

Figure 1. 2019 MFP payment rates for Nebraska.

Source: USDA

Comparison of 2018 and 2019 MFP payments for Nebraska Corn and Soybean Producers

Comparison of 2018 and 2019 MFP payments at the state level is not feasible as the 2019 payments differ by county. Therefore, we chose three counties with the highest and lowest yields for both, dryland and irrigated, and three counties which had average yields in 2018 and compare the per-acre payments received by an average producer of those counties in 2018 to the 2019 payment all producers in those same counties will receive.

Table 1 shows the comparison of per acre payments for corn producers in Nebraska. It is clear that all corn producers will receive much higher payments compared to 2018. In contrast, soybean growers will re-

ceive less, on average, under the new program than they did in 2018 (see Table 2). There was a perception at the time the MFP was launched that soybean prices would be the most severely affected because a majority of U.S. soybean exports were destined for China. U.S. corn exports to China in recent years have been fairly modest although exports of distillers' dried grains have been significant. By providing a uniform payment rate per acre regardless of the crops planted, the new MFP would seem to be somewhat detached from the actual market effects of the trade war. USDA's Farm Service Agency (USDA, 2019) claims that the payment rates depended on the impact of the Chinese retaliatory trade restrictions on each individual county but it is not entirely clear just how these estimates were produced. There are 3,242 counties in the United States so the task of measuring the impacts of the trade war in each one would have been significant.

It appears that the 2019 MFP program was designed to provide greater compensation to corn producers than was the case in 2018. This payment structure, however, seems to over-compensate them. Because of the recent trade deal announcement, there is a good chance that corn and soybean prices will increase in 2020. If that does happen, the government may decide to curtail or eliminate the MFP, most likely later in 2020 after the presidential election. The MFP does not replace the traditional farm safety-net programs described in the commodities, crop insurance, and conservation titles of the 2018 Farm Bill. Spending for these programs is estimated to average about $20 billion a year over the five-year life of the bill (ERS/USDA, 2020). In 2018, the MFP disbursed $8.59 billion and in 2019/20, another $14.5 billion is expected to be delivered to producers increasing producer support for 2018 and 2019 to about $30 billion per year. The MFP is a new type of program created by the Executive Branch rather than the Congress, the government branch that usually originates farm policies. It remains to be seen whether it will be eliminated if commodity prices increase in response to greater Chinese purchases, become a permanent stand-alone program, or be incorporated into future farm bills.

Table 1: Per acre MFP payment comparison for different types of corn producers for highest, lowest and average yield.

Type of Yield	County	2018 Yield	2018 MFP Payment $	2019 MFP Payment $	Difference in $ (2019 payment - 2018 Payment)	Difference in % (2019 payment - 2018 Payment)
Corn Average Yield	Garden	109.5	1.10	18.00	16.91	1544
	Deuel	112.8	1.13	18.00	16.87	1496
	Hitchcock	139.6	1.40	33.00	31.60	2264
Corn Irr Lowest Yield	Washington	170.8	1.71	68.00	66.29	3881
	Cass	188.1	1.88	72.00	70.12	3728
	Otoe	188.7	1.89	65.00	63.11	3345
Corn Irr Highest Yield	Franklin	232.5	2.33	61.00	58.68	2524
	Buffalo	234.3	2.34	61.00	58.66	2503
	Dundy	226.3	2.26	29.00	26.74	1181
Corn Dry Lowest Yield	Sheridan	75.6	0.76	19.00	18.24	2413
	Dundy	97.3	0.97	29.00	28.03	2880
	Keith	100.6	1.01	34.00	32.99	3280
Corn Dry Lowest Yield	Knox	189.9	1.90	51.00	49.10	2586
	Dodge	192.9	1.93	70.00	68.07	3529
	Cass	202.7	2.03	72.00	69.97	3452

Table 2: Per acre MFP payment comparison for different types of soybean producers for highest, lowest and average yield.

Type of Yield	County	2018 Yield	2018 MFP Payment $	2019 MFP Payment $	Difference in $ (2019 payment - 2018 Payment)	Difference in % (2019 payment - 2018 Payment)
Soybean Average Yield	Otoe	45.9	75.74	65.00	-10.74	-14
	Pawnee	46.3	76.40	51.00	-25.40	-33
	Lancaster	49.8	82.17	66.00	-16.17	-20
Soybean Irr Lowest Yield	Platte	58.3	96.20	69.00	-27.20	-28
	Dodge	60.1	99.17	70.00	-29.17	-29
	Merrick	60.1	99.17	62.00	-37.17	-37
Soybean Irr Highest Yield	Clay	68.9	113.69	67.00	-46.69	-41
	Phelps	69.4	114.51	70.00	-44.51	-39
	Gosper	75.2	124.08	54.00	-70.08	-56
Soybean Dry Lowest Yield	Thayer	45.7	75.41	64.00	-11.41	-15
	Webster	47.3	78.05	53.00	-25.05	-32
	Gosper	47.4	78.21	54.00	-24.21	-31
Soybean Dry Lowest Yield	Polk	60.2	99.33	71.00	-28.33	-29
	Valley	61.4	101.31	53.00	-48.31	-48
	Boone	63.4	104.61	69.00	-35.61	-34

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