

# Adjusting to a New Price Environment: Implications for the Farm and Trade Programs

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USDA Agricultural Outlook Forum, Feb. 20, 2015

Speakers: Paul Westcott, ERS

Gary Schnitkey, Univ. of Illinois

Jason Carver, FAS

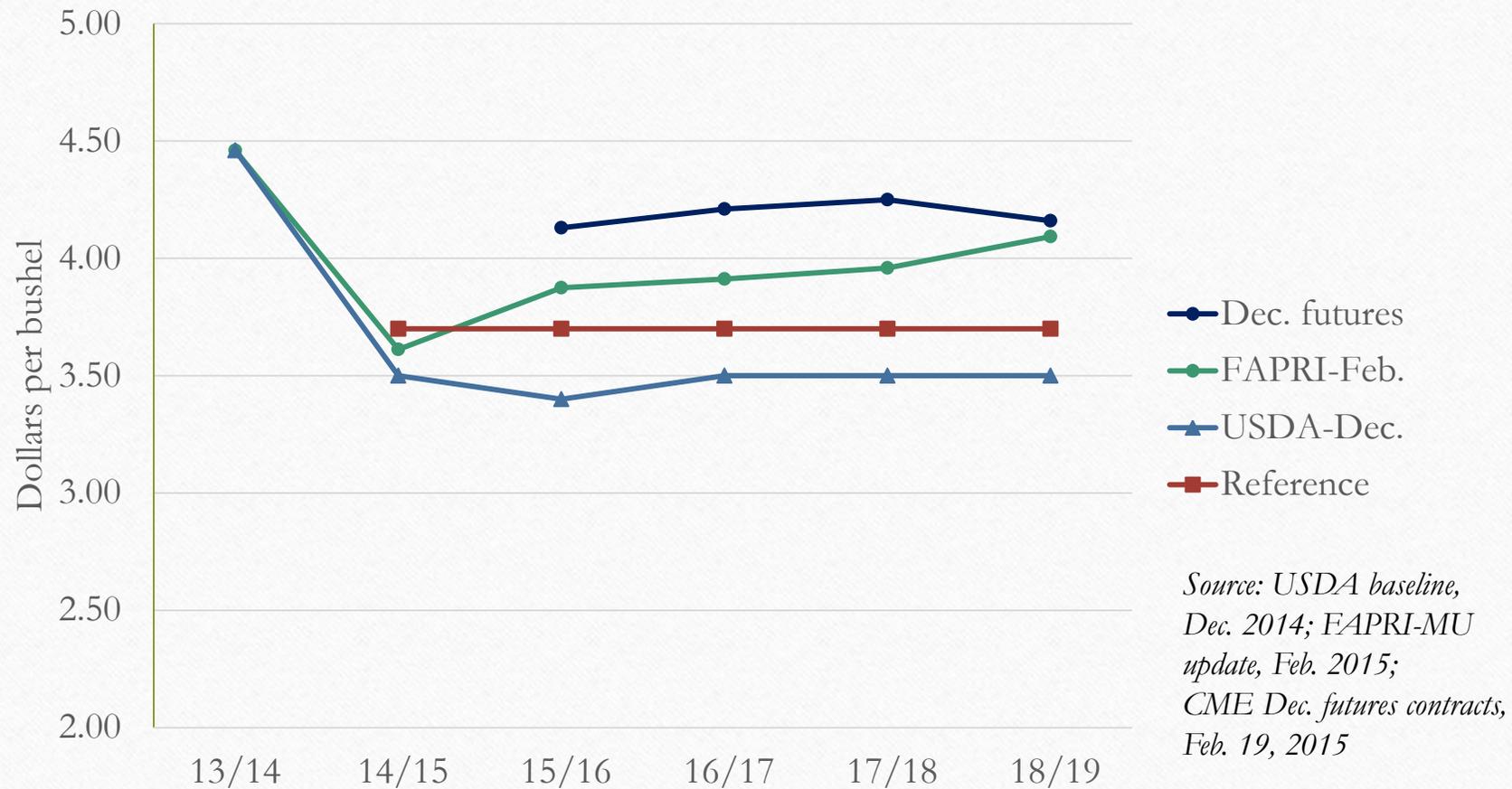
Moderator: Pat Westhoff, FAPRI-MU

# What to expect

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- Paul Westcott: USDA baseline outlook
- Gary Schnitkey: Implications for farm programs
- Jason Carver: Global implications

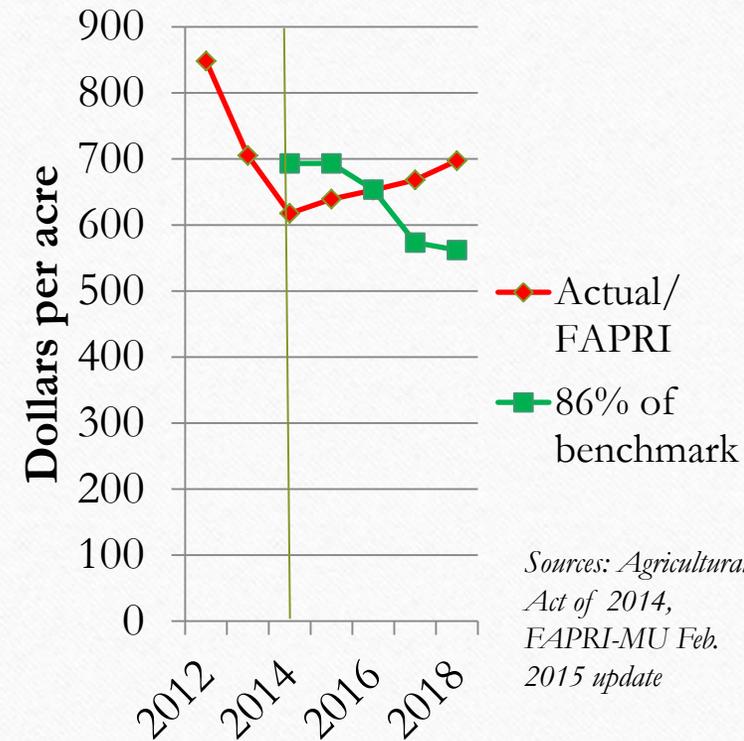
# U.S. farm and futures prices for corn



# Revenue-based option for farm support

- Agriculture Risk Coverage (ARC)
  - Payment if per-acre revenues fall below trigger
  - For this example, using national yields, but actual program uses county- or farm-level yields
  - Paid on share of base acreage
    - 85% if choose county option
    - 65% if choose farm option (all crops on farm)

**Corn revenues per acre**



# Net CCC outlays

(billion dollars, fiscal year basis)



Source: FAPRI-MU  
stochastic baseline,  
*March 2014*; watch for  
our new baseline soon  
in early March 2015

**Table 5—Proportion of Outcomes Exceeding Proposed Doha Limits**

Support	Average 2014-23 Mil dollars	Proposed limit Mil dollars	Proportion of outcomes exceeding limit at least once over 2014-23
AMS	3,063	7,641	34.0
Blue box	4,842	4,773	98.6
OTDS	15,080	14,467	99.8

Source: Joseph Glauber and Patrick Westhoff, “The Potential Budgetary Costs and WTO Implications of the New Farm Bill,” presentation at the meeting of the International Agricultural Trade Research Consortium (IATRC), Dec. 2014.

Note: The analysis was done based on the FAPRI-MU March 2014 stochastic baseline. Key assumptions include a Doha Agreement in line with proposals tabled in 2008, and U.S. notifications consistent with previous practice. After the paper was prepared, the U.S. changed the way it notifies WTO of crop insurance subsidies. These changes would not affect estimates of Blue box or OTDS support, but would increase the U.S. AMS, all else equal.

# So are these projections any good?

Mean absolute percentage errors, 18 past baselines for CORN prices

Projection for	USDA	FAPRI-MU	Futures
Next year	12.5%	15.0%	19.0%
2 years ahead	17.7%	20.4%	25.1%
3 years ahead	22.9%	22.3%	23.6%
4 years ahead	26.2%	26.1%	24.2%
5 years ahead	29.7%	28.9%	26.9%
Average of above	21.8%	22.5%	23.8%

Source: USDA and Futures estimates by Scott Irwin and Darrell Good in a FarmDoc piece posted Feb. 4 (<http://farmdocdaily.illinois.edu/2015/02/long-term-forecasts-and-farm-bill-program-choice.html>).

FAPRI-MU estimates compiled by FAPRI-M and reported in a FarmDoc piece by Pat Westhoff on Feb. 12 (<http://farmdocdaily.illinois.edu/2015/02/price-projections-and-farm-bill-program-choices.html>).