

OFBF Policy Podcast - The Impact of Prevent Plant.mp3

Ty Higgins From the Ohio Farm Bureau studios in downtown Columbus I'm Ty Higgins joined in studio by Jimmy Stickley. He is interning with the Ohio Farm Bureau policy department, and Dr. Carl Zulauf professor emeritus in the Department of Agricultural, Environmental and Development Economics at The Ohio State University.

Ty Higgins You talked to a farmer that's 30 years old. 80 years old. They're all going to tell you the same thing about this spring. It has been the worst they've ever seen. What does that mean as far as prevent plant possibilities go. Dr. Zulauf I'll start with you. Could our PP numbers in 2019 be historic?

Dr. Carl Zulauf Absolutely. If you look at last Monday's weekly planting progress report from the United States, the U.S. had 92% of its corn planted. If you take that number and apply it to the Prospective Plantings report at the end of March 2019, that means there's 7 million more acres to be planted of corn. The highest prevent plant acres in corn according to FSA numbers since 2007 is 3.6 million in 2013. So we're about to double that number right now. Obviously some of that 7 million will be planted. So it won't it probably won't be that high although we don't know that because we're not sure what planting progress really means right now.

Dr. Carl Zulauf If we look at the numbers for soybeans there were 77% of U.S. soybeans planted. That leaves 19.5 million acres to be planted the highest prevent plant acres since 2007 was 2.2 million in 2015. So quite a big gap there suggesting that a record is very distinctly possible. Situation for Ohio is even probably starker. Ohio had 68% of its corn ground planted as of last Monday. That works out to about one little over 1 million acres of corn to be planted. Our highest prevent plant is 205,000 in 2011. 46% of Ohio soybeans had been planted. That leaves 2.7 million to be planted. Our highest prevent plant acres for soybeans with 96,000 in 2015. So for Ohio and I think for the U.S. it's very highly likely that we're going to set a record prevent plant at least as far back as 2007.

Ty Higgins It's going to be some time until we get those numbers solidified though isn't it?

Dr. Carl Zulauf It will be. I am not sure when RMA will start releasing their numbers. That's the Risk Management Agency, Ty, they they have their compilation of prevent plant. The numbers that the market tends to focus on though are those that come out of the Farm Service Agency or FSA. And those numbers will start to be released somewhere around the 10th through the 15th of August. That will not be the final number. Those numbers will continue to come out throughout the remainder of the rest of the year. So the earliest numbers that will we will start to get on prevent plant will probably be out of the FSA and probably in the middle of August.

Jimmy Stickley Carl, at what point in the planting season did the prevent plant look economically better than planting late corn?

Dr. Carl Zulauf Remember in answering this question that we're talking about prevent plant and prevent plant does not begin until the what is called the final insurance day ...final insurance plant date. I'm sorry. And that date varies by crop and it varies by state and it varies by county within the state. For Ohio the common date for corn was June 5th and for soybeans the common date was June 20th. So in each of these cases it's important to note you're already into the period of time where we generally talk about yields declining due to late planting and that's a critical thing to keep in mind.

Dr. Carl Zulauf So your expected yields are decreasing. It's also important to note that this is a very complex question that's being asked. It depends on a whole variety of different things including your expected yield, your APH yield which is your insurance yield. It depends on what your price expectations are for the fall. It depends on what your insurance coverage level is. And it also critically depends on what cost you have already incurred.

Dr. Carl Zulauf For example did you have nitrogen down? Did you have herbicides down before you could not plant? And it just it you really need to go to a calculator such as farm docs at the University of Illinois (farmdoc.illinois.edu) to really look at this question because it is so unique to each individual situation. But in general what we were finding in the analysis that we were doing for farm docs daily is that if you had 80-85% coverage, if you had not put down any herbicides, pesticides, fertilizer before planting really right at the beginning of that plant date which would be roughly June 5th in this state.

Dr. Carl Zulauf You had to look at prevent plant. That doesn't mean you would take it but you had to look at it. It was a viable option for corn. We're finding the same things for soybeans that it is a viable option to look at again should you take it or would you take it? That's an individual farm situation.

Dr. Carl Zulauf But it was something that was a viable option right from the beginning of the plant...final insurance plant date and of course it only becomes a more viable option as you go deeper into the late planting period because your expected yields are declining. The one thing I would be, I would like to note on soybeans because we're right now at the point where soybean weight planning is the window is beginning to open up i.e. what the final plant date for most of Ohio is that yields on soybeans really vary by late planting. If you have not planted this late you need to talk to somebody who dealt good double crop soybeans because that's probably closer to the yields that you're looking at. And if you will get double crop soybeans there's a big variability in yields. You can get you can get yields that aren't that far off of full season soybeans if everything goes right. If you get a good stand, late frost, everything... good growing conditions yields can be quite a bit less so as people look at the soybean prevent plant keep in mind the very strong variability that exists and what the final soybean yields could be.

Ty Higgins Carl Zulauf, professor emeritus in the Department of Agricultural, Environmental and Development Economics at The Ohio State University. I'm Ty Higgins with Ohio Farm Bureau along with our intern from the policy department for the summer Jimmy Stickley.

Jimmy Stickley Carl what can farmers expect payment wise this year compared to last year and previous years. And what are those payments based off of?

Dr. Carl Zulauf There are largely two sets of payments that... I'm assuming we're talking here about not crop insurance payments but other payments that farmers could expect and it would be two types of those payments. The first would be the commodity program payments the ARC and the PLC payments for 2018 for October 2018 2019 payments which were for would be for the 2018 crop year. Largely Ohio farms are not going to receive much from from ARC because of the great yields that we had last year. So neither corn nor soybeans nor wheat is likely to make many ARC payments. There will be a few counties where yields were not as good as they were in the rest of the state. For PLC there will be a wheat payment because the final crop year price for a wheat will be less

than the \$5.50 target price for wheat. I don't remember the exact numbers of PLC acres of wheat in this state but there were more PLC acres, more acres in PLC and wheat than there was in corn and soybeans where the PLC acres were very low. To PLC payments and soybeans are most likely going to be zero because the current prices above the \$8.40 target price. For corn the current year prices three is \$3.60 which is less than the \$3.70 target price so you would expect the payment right now, but I would point out that corn prices are above the target price right now and that price for the year is likely to increase and so we will probably see less of a target price payment for corn as we go through the rest of the year assuming prices don't drop down below the target price again. And so it could even eliminate it. So corn is a questionable one in my mind is where we would get a target price TLC payment. The market facilitation program payments have been announced for the 2019 crop year. There are some major differences between that and the 2018 payment. The 2018 payment was made for a relatively limited number of commodities. They included corn, soybeans and wheat. Those were made on a crop basis with a fixed payment rate and based on the yield of the individual farm. For 2019 the payment rate will be at the county level and it will be a per acre payment for all eligible crop acres in that county, and for an individual farm would be all eligible crop acres for that farm. For most of Ohio from the crop perspective the biggest difference is that alfalfa acres will be included in the eligible crops this time and they were not in 2018. If you were to take that to that. So it's very hard to figure out based on what we know right now exactly what the payment rate is going to be for each county. If we go back to 2018 and in a sense kind of replicate if corn and soybeans had been on a county level as opposed to an individual farm level, the average payment rate in Ohio was basically somewhere between \$50 and \$60 per acre for county. I think that's a good place to start with thinking about what MFP payments might be this year, but you want to be really cautious because we've changed the crops and we've changed the methods. We really don't know how they're going to be. I think a conservative range is \$40 to \$60 per acre for counties for those growing corn, soybeans and wheat. The other thing that I would note on the MFP very important to note there will be payments made in three distributions. One is likely to be later this summer. Second is likely to be this fall sometime this fall. The third is likely to be sometime during the winter. Also it's important to the factor in your calculations that only the first payment will be guaranteed. Right now the USDA is only saying that there may be a second and third payment i.e. there may be a fall and winter payment and these are conditional and they may or may not occur. So those are the two broad payments that can occur in MFP likely being the larger. But there's a lot of uncertainty about the timing and the magnitude of the MFP payment.

Ty Higgins Dr. Zulauf, you mentioned that MFP program that recommended planting as many crops as possible if you were a farmer and you heard that message from President Trump earlier this year. Then we have the disaster package that might up the Prevent Plant coverage. Farmers were then saying Don't plant those acres; there might be a higher Prevent Plant premium for you if you do that. Just how confusing was this spring for farmers on that level. Probably more certainty than ever.

Dr. Carl Zulauf It has been very confusing and I think that certain unfortunately I think the uncertainty continues. We really don't know yet how the disaster relief bill that passed Congress is going to be implemented particularly as it relates to Prevent Plant. We know from historical experience that disaster assistance tends to be or has been historically implemented only for counties that were declared disaster counties or you were in a county that was neighboring to a county declared disaster county. I would expect that to be the way we implement this. But implementation can always vary and Congress can come in and change the rules and that's the other thing that makes this so uncertain is that this

is a moving target in a policy sense both from an implementation of what has been passed and the fact that Congress can come in and amend this. I think this is an issue that will draw lots of attention this summer, particularly if the prevented planting acres are as large as many people think they're going to be i.e. that we set records on Prevent Plant. Unfortunately the uncertainty remains and all I can say is just pay attention. Listen. Talk to FSA but this is going to be an issue of discussion. There is going to be something done somehow but that's about the best you can say right now. With my apologies.

Jimmy Stickley Professor Zulauf, farmers are hearing a lot about the November 1st date which is significant for forages. That date was just moved to September 1st. What is that date movement mean for farmers, and how can those crops be utilized that are underneath that date.

Dr. Carl Zulauf The movement of the date from November 1 to September 1 has real significance I think for growers who grow their own feed. This has been a group of farmers that have been particularly I think hard hit by this situation because of the way they had their farm structured. They are feeding their own grain to livestock so this gives them an option of haying and grazing a cover crop. Now I would think I would be very I would encourage people to clearly talk to both your crop insurance agent and to Farm Service Agency. What exactly makes up a cover crop and what are the rules that apply? Do not do something and ask for forgiveness. The rules are very specific. I do not know what they are. I do know enough to say find out before you do anything. Make sure that the cover crop that you plant in fact meets the definition of cover crops for both crop insurance and Farm Service Agency. And it's better to get that before you do something. But this does increase the option available to those growers for getting forages and haying for their livestock.

Jimmy Stickley Last question here. What is the biggest misconception from your vantage point about the spring?

Dr. Carl Zulauf In my opinion I don't know if I would use the word biggest misconception. The focus I would say that there is an issue of focus. The attention and rightfully so has been on the crop farmers having difficulty getting the crop planted and that is an important issue. But this spring is going to have ramifications and implications that extend far beyond the planting season. It will extend to what actually the final harvest is. What are the actual crop sizes. How much is yield impacted. How does that turn into prices and yields and to production. How much will input suppliers be hurt by the reduction in input sales. How much will consumers be affected by higher prices for commodities that may well occur for this year. What does this do to the future of exports. The higher prices in the US will provide incentives for South America and the former Soviet Union to continue to expand their production. What does this do to livestock producers. This is really the first step in what is a a very significant market event that is likely to have price impacts that continue throughout the summer and into next year and likely into the next year. And so this is a major event and I and I think that there hasn't been enough discussion of what are the longer term implications as well as the breadth of the implications of what is going on. It's more than just crop farmers. And again I want to emphasize they are important part of this but this is a major economic event that is going to affect the farm sector in the US for some time.

Dr. Carl Zulauf I think that the biggest thing we need to have a discussion about.

Ty Higgins This historically wet spring going to have a chain reaction and a chain supply reaction for many months and years to come. Dr. Carl Zulauf, professor emeritus in the Department of Agricultural, Environmental and Development economics at The Ohio State University. Dr. Zulauf, you have always been a great asset to the industry and great information today. Thank you so much.

Dr. Carl Zulauf Thank you very much time for the opportunity.

Ty Higgins For Jimmy Stickley interning here at the policy department at Ohio Farm Bureau. I'm Ty Higgins. We'll see you down the road.