

2023 Farm Bill

Hunt Shipman, Principal & Director



CORNERSTONE

— AN EMPLOYEE-OWNED COMPANY —

CELEBRATING

2002

20

2022

YEARS

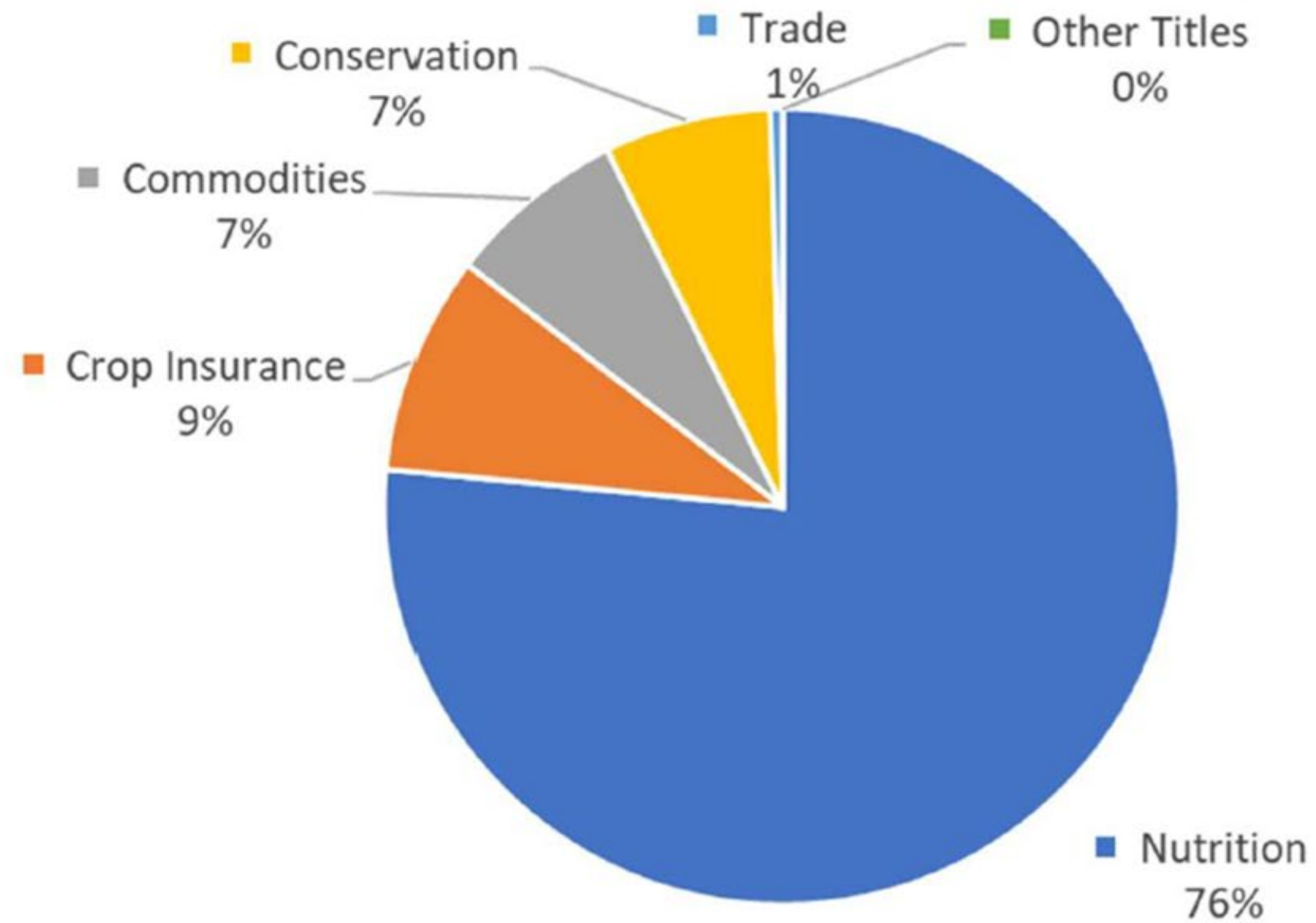


Farm Bill Overview

- U.S. Government's largest financial commitment to food and agriculture producers
- Omnibus, multi year law governing food and agricultural programs
- If Congress allows a farm bill to expire, some programs cease to operate, some revert to permanent law, and some could continue to operate under annual appropriation



2018 Farm Bill Spending



■ Nutrition ■ Crop Insurance ■ Commodities ■ Conservation ■ Trade ■ Other Titles

* 2018 Farm Bill Baseline from the Congressional Budget Office



2023 Farm Bill - 117th Congress

- Split Congress - Farm Bill work will be done during the 117th and the 118th Congress
- Slow start, but Committees have begun Farm Bill hearings
 - Policy highlights: crop insurance, rising input costs, rural broadband, renewable energy, climate-smart practices, conservation, research disaster prevention



2023 Farm Bill - 117th Congress



- The 4 Corners of Ag Policy
 - Chairwoman Debbie Stabenow (D-MI) - the "seasoned" leader within the 4 corners
 - Priorities include nutrition, specialty crops, climate change, and urban agriculture
 - Ranking Member John Boozman (R-AR) - New to the Ranking Member slot
 - Priorities include southern agriculture, research and nutrition
 - Chairman David Scott (D-GA) - New to the Chair
 - Priorities include racial equity, climate and southern commodities
 - Ranking Member GT Thompson (R-PA) - New to the Ranking Member role
 - Priorities include dairy, forestry and nutrition



Drivers that Shape a Farm Bill



State of the
Farm Economy



Budget



Political
Situation





2023 Farm Bill - State of the Farm Economy

- High crop prices and record -level exports point to a strong farm economy; however, substantial volatility and uncertainty remain.
 - Supply chain shortages
 - Inflation/ rising input costs - net farm income is forecast to fall
 - Interest rates
 - Recession worries continue
- Are farmers content with policy or looking for significant policy changes?



High Food Prices

Global index eased slightly in April, while holding near a record

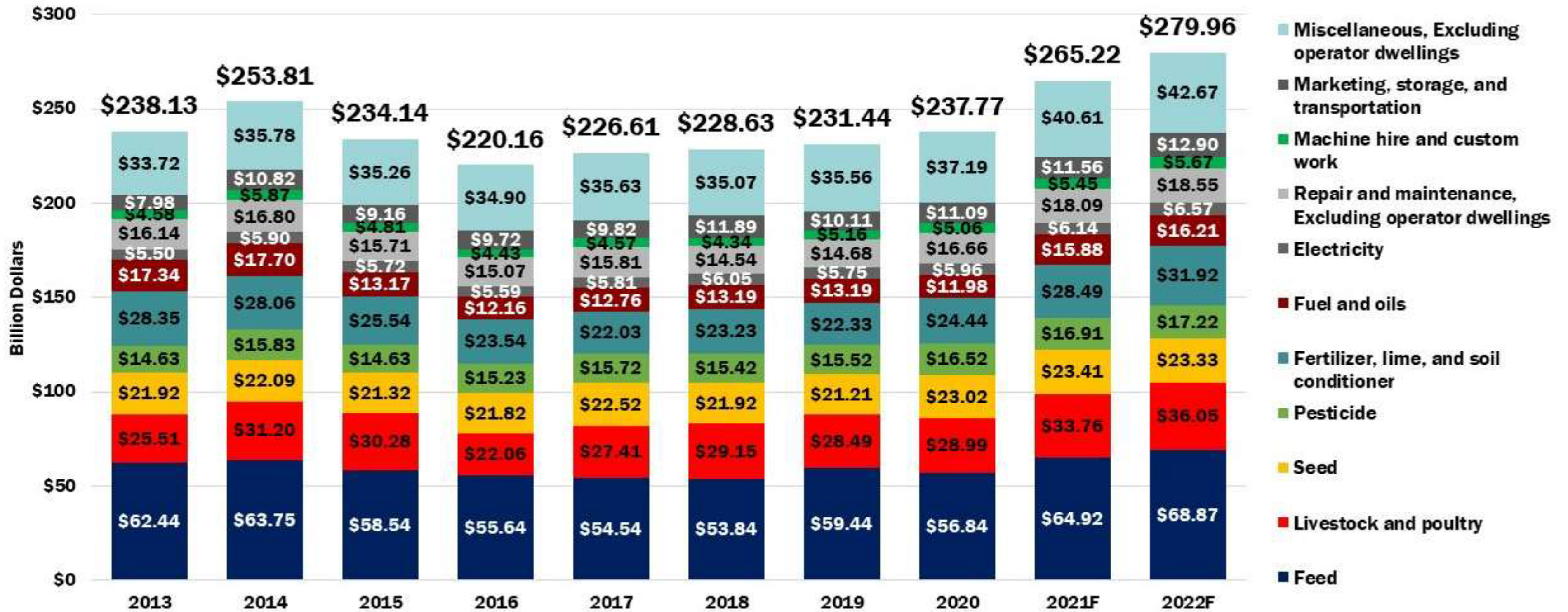


Source: UN's FAO

Bloomberg



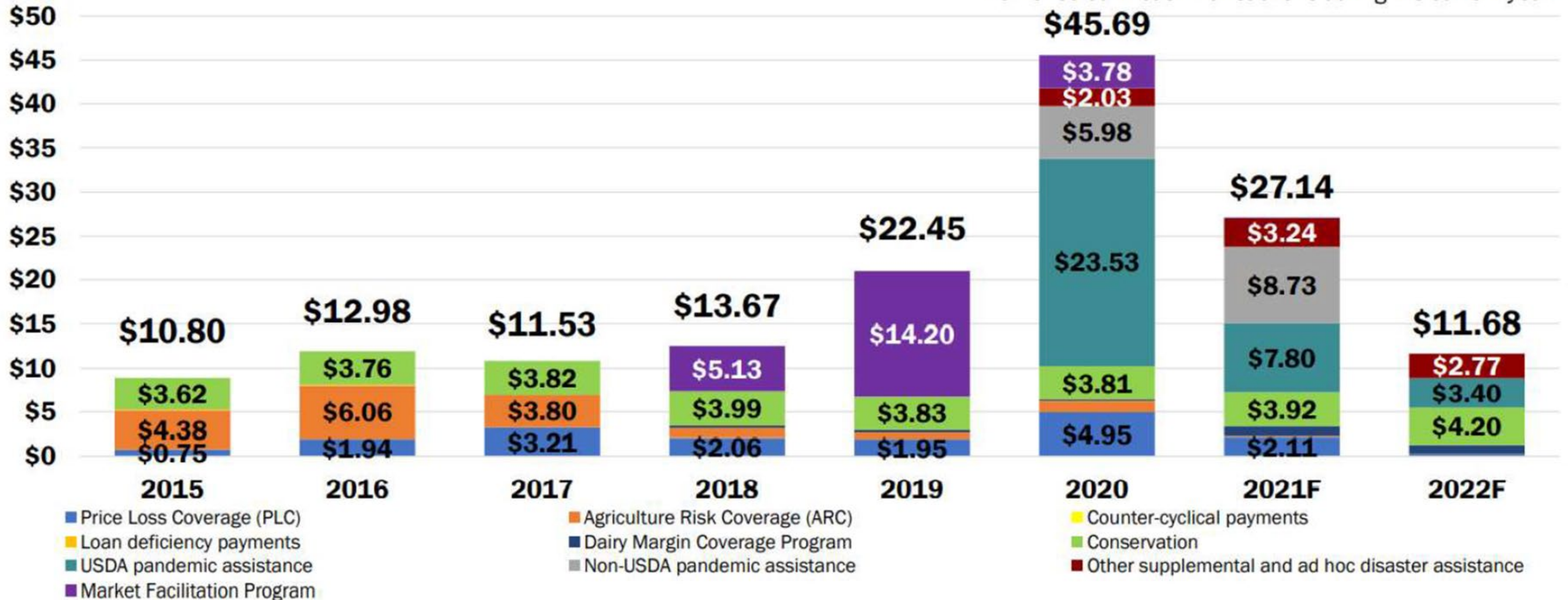
Farm Production Expenses Increasing 6% in 2022 Compared to 2021, After a 12% Increase in 2021 from 2020



Government Programs Contributing to Net Farm Income

Net farm income is net cash income plus the value of home consumption, changes in inventories, capital replacement, and implicit rent and expenses related to the farm operator's dwelling that are not reflected in cash transactions during the current year.

Billion Dollars



2023 Farm Bill - Budget

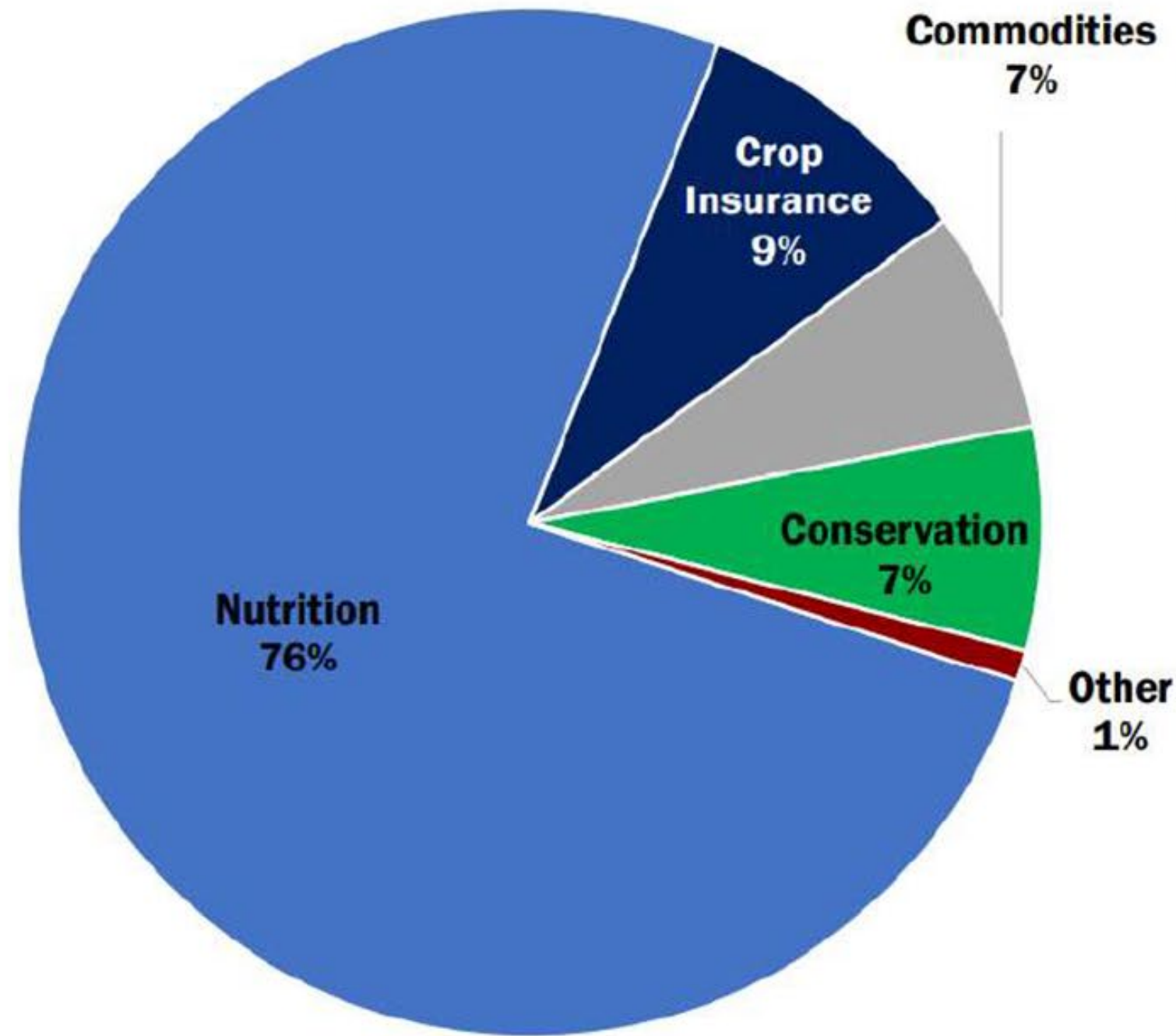
\$30 trillion debt and deficits
of approx. \$1.5 trillion/year

Expect this to be a \$0
baseline Farm Bill

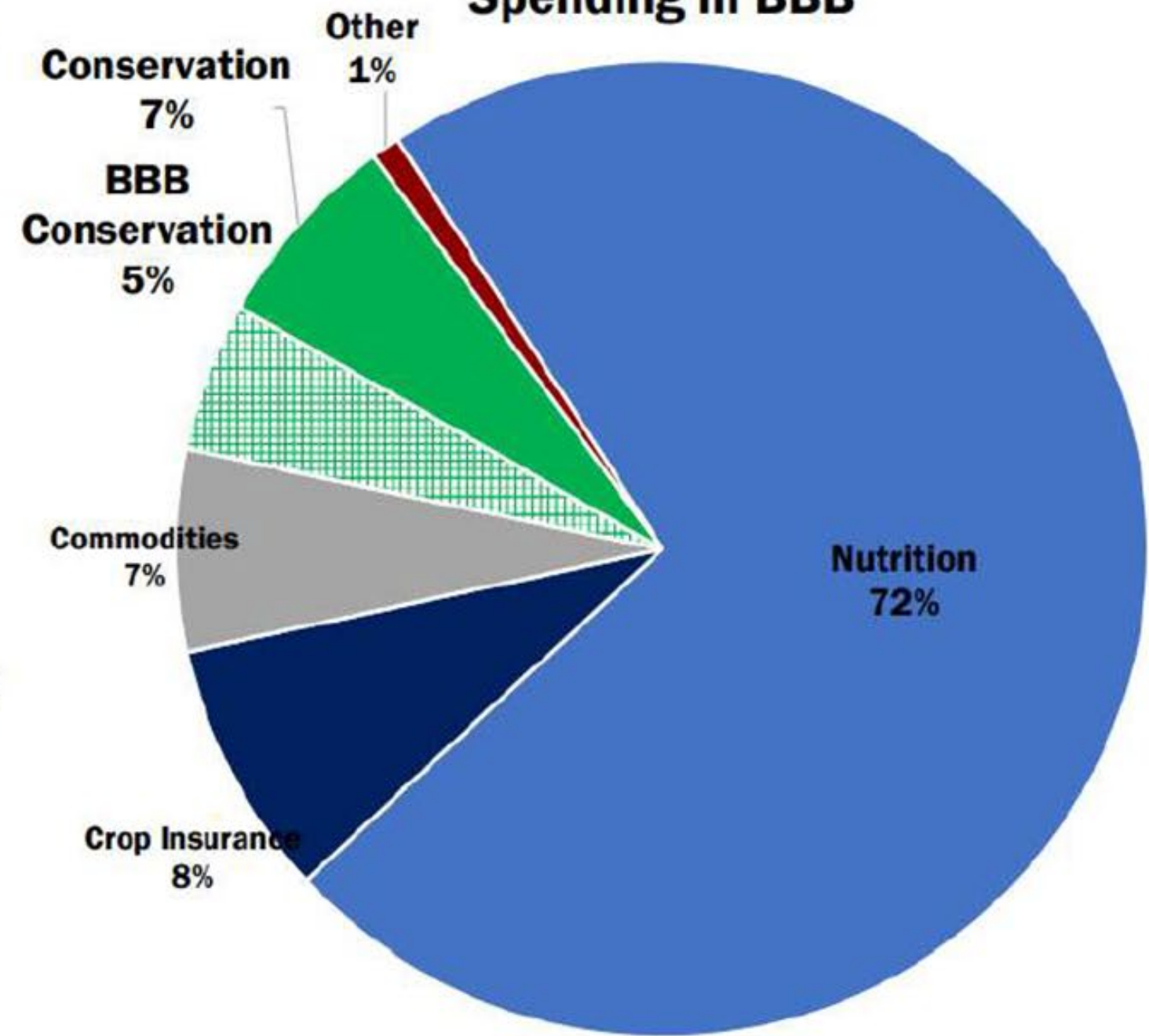


2018 Farm Bill Spending & \$22.3 Billion from BBB

2018 Farm Bill Spending



2018 Farm Bill Spending + Conservation Spending in BBB

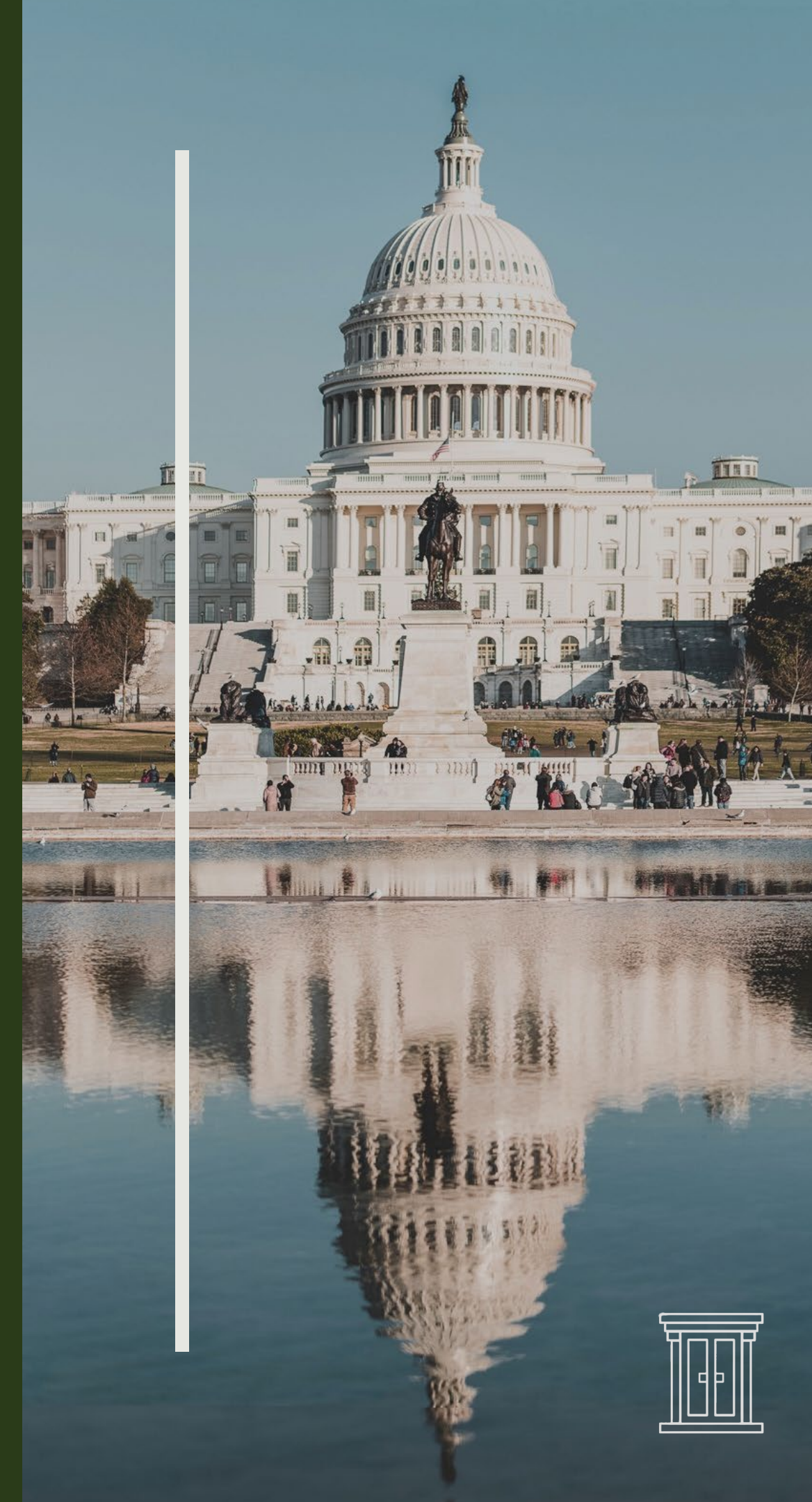


Source: Congressional Budget Office, House Democrats



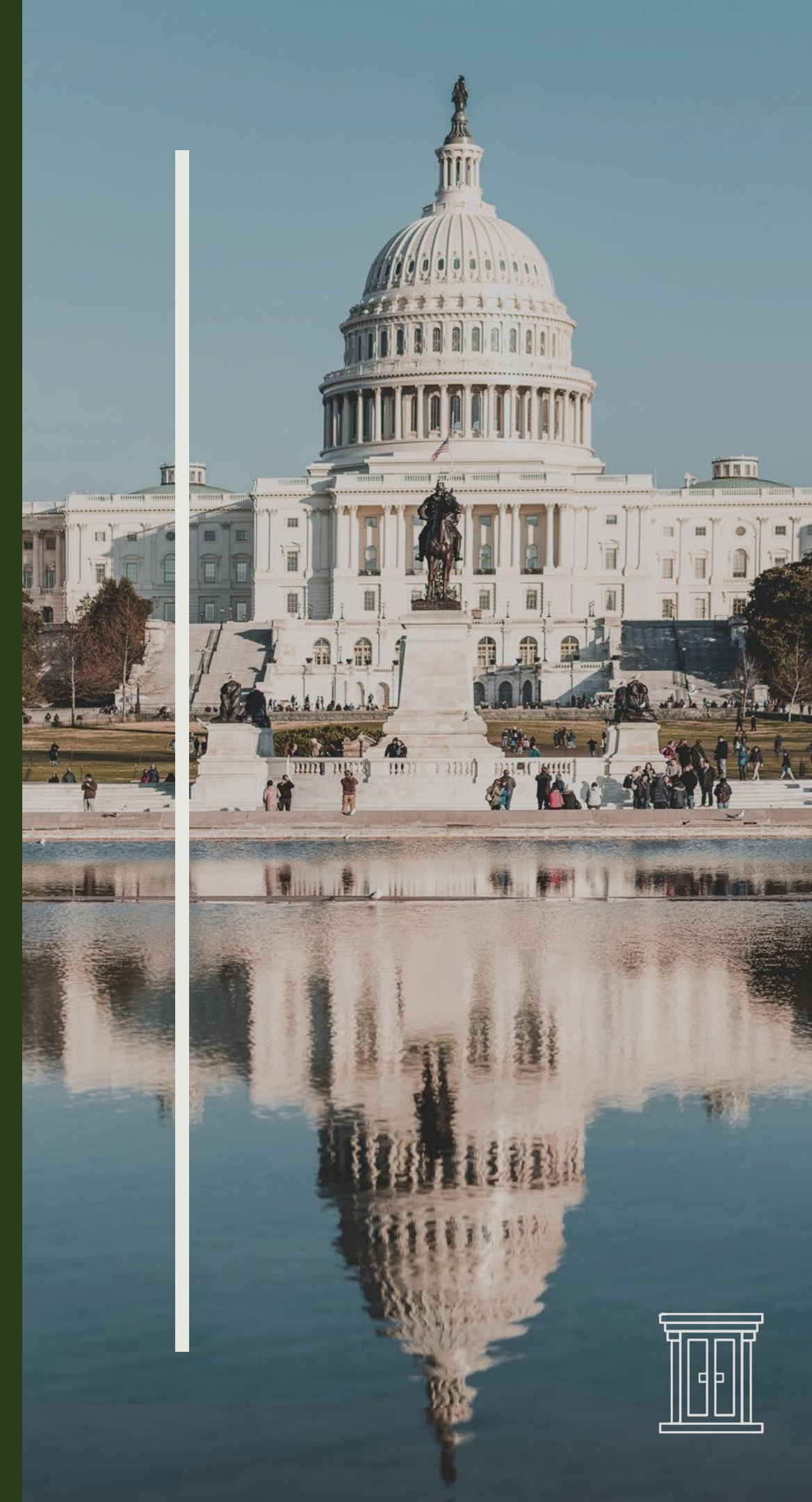
2023 Farm Bill - Political Situation

- 2022 Election
 - President's party typically loses seats in midterm elections
 - Sub-50% approval rating = approx. -36 seats
 - The last four presidents have lost Senate and House majorities; seven of those eight chambers were lost in midterm elections
 - Over half of this year's toss up races are in districts with a sizable rural constituency



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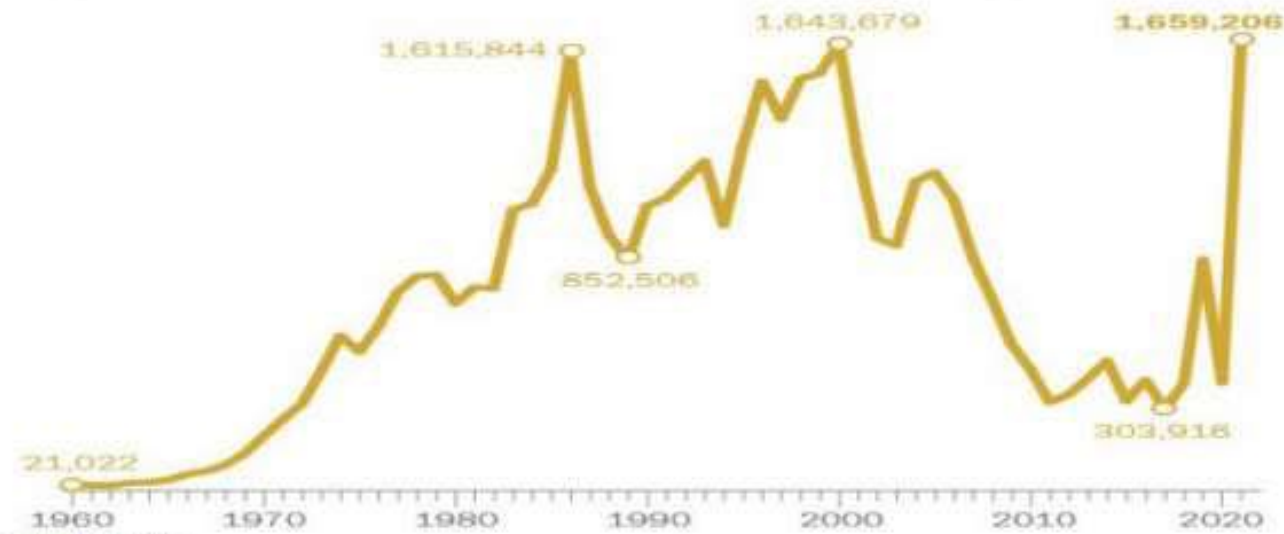


2023 Farm Bill - Political Situation

Referenda on President Biden's Handling of Key Issues / Approval Rating

Border Crisis Growing

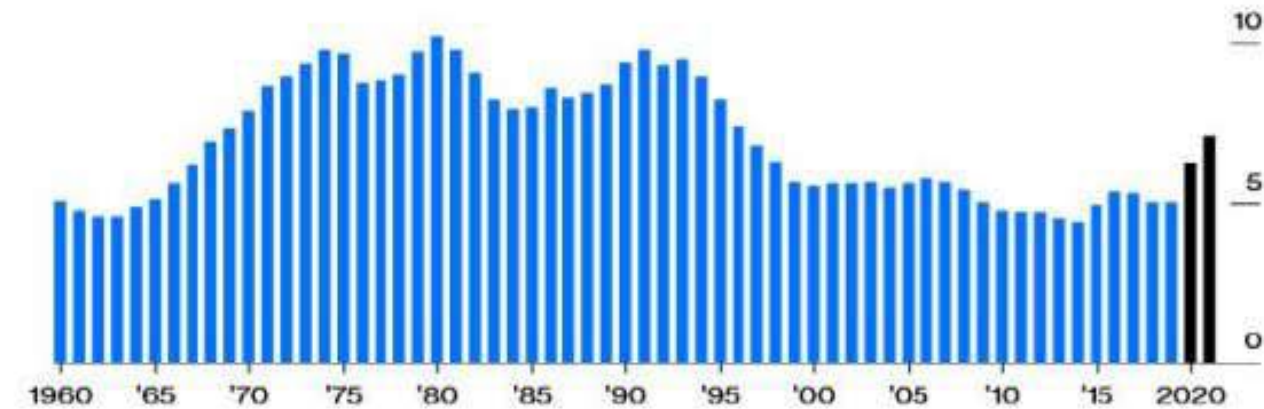
Migrant encounters at U.S.-Mexico border, by fiscal year



Source: Pew, Aug. 2021

Murder Rate Climbing

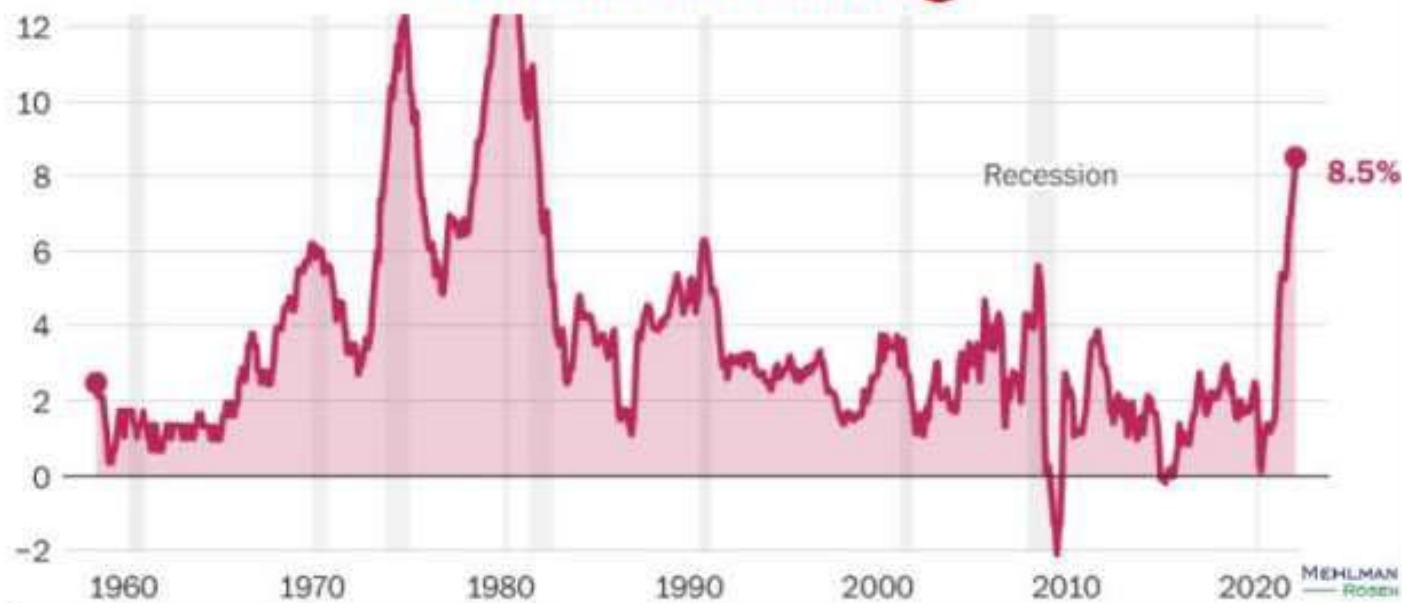
U.S. murders per 100,000 population*



Sources: Federal Bureau of Investigation; AH Datalytics
*2020 based on preliminary FBI estimate of 25% increase over 2019; 2021 assumes 15% increase over 2020

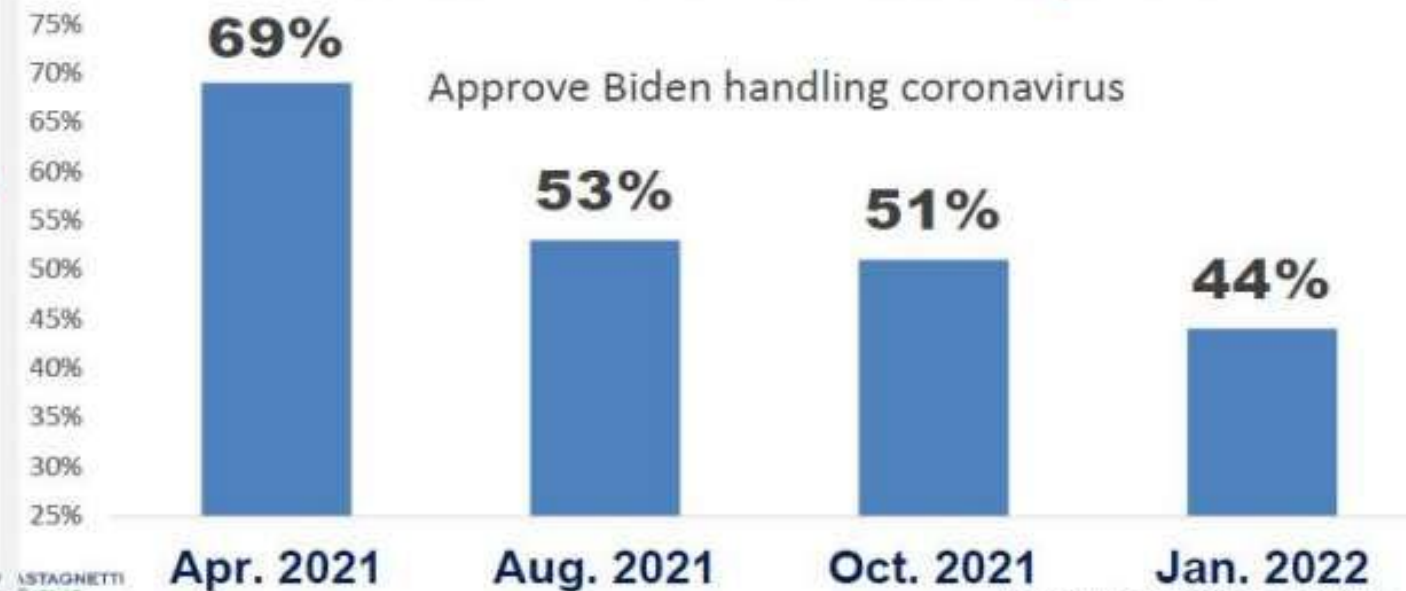
Source: Bloomberg

Inflation Rising



MEHLMAN CASTAGNETTI
ROSEN & THOMAS

COVID Confidence Collapsed



Source: NBC News Survey, Jan. 2022

MEHLMAN CASTAGNETTI
ROSEN & THOMAS

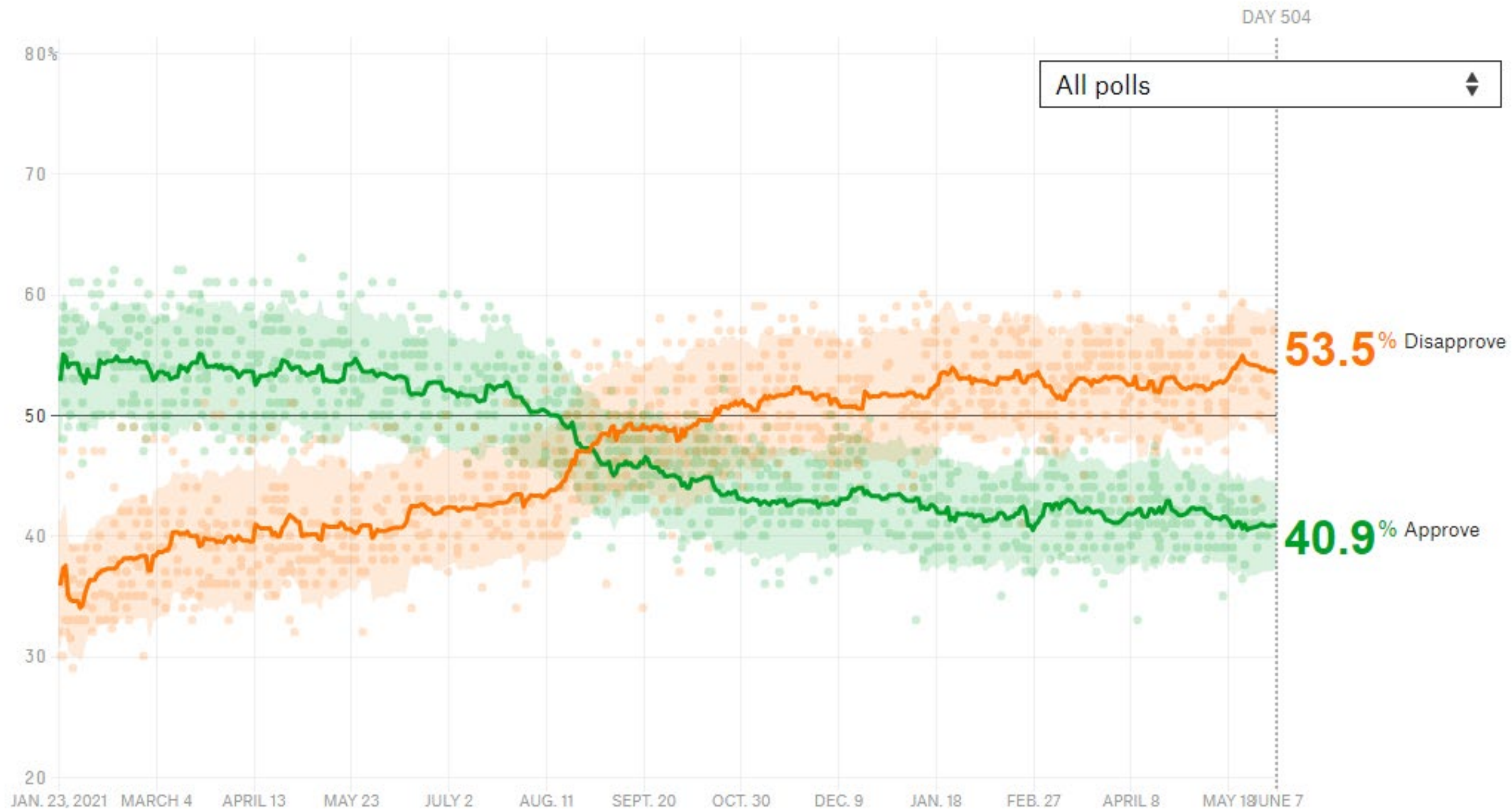


2023 Farm Bill - Political Situation

UPDATED JUN. 7, 2022, AT 12:29 PM

How unpopular is Joe Biden?

An updating calculation of the president's approval rating, accounting for each poll's quality, recency, sample size and partisan lean. [How this works »](#)



2023 Farm Bill - Political Situation

- The direction of key agriculture policies will be determined by the 2022 election
 - Several AG Committee Members face tough races
 - Spanberger (D-VA), Craig (D-MN), Harder (D-CA), Axne (D-IA), Schrier (D-WA), Warnock (D-GA)
 - Several Ag Committee Members not returning
 - Bustos (D-IL), Delgado (D-NY), Hartzler (R-MO), Rush (D-IL), Leahy (D-VT)



2023 Farm Bill - Political Situation

- Republicans will likely look to reign in government spending on climate
- Democrats' priorities will likely include racial and economic justice, environmental justice, and expanding programs and funding to mitigate climate change



2023 Farm Bill - Political Situation

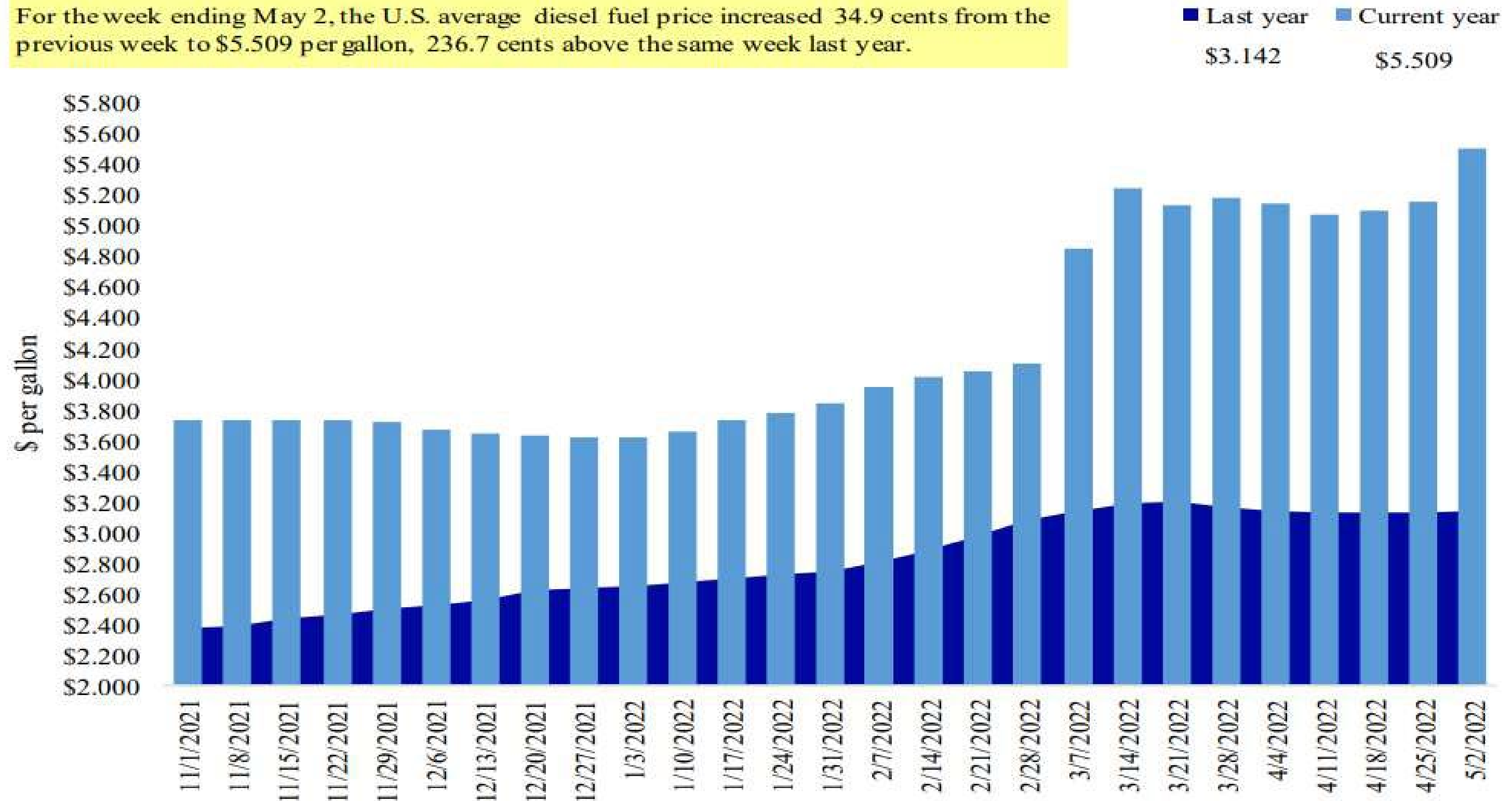
- Biden Administration's aggressive regulatory agenda
 - Environmental & Energy
 - Canceling oil and gas leases on federal lands - no new leases since 2020
 - Renewable energy fallacy - renewable is 11% of current energy (only 1/3 of which is solar and wind)
 - Labor
 - Contractors vs. full time
 - Apprenticeships
 - Federal bureaucracy has the upper hand



2023 Farm Bill - Political Situation

Weekly diesel fuel prices, U.S. average

For the week ending May 2, the U.S. average diesel fuel price increased 34.9 cents from the previous week to \$5.509 per gallon, 236.7 cents above the same week last year.



Source: U.S. Department of Energy, Energy Information Administration, Retail On-Highway Diesel Prices.





Six questions for the
next Farm Bill



WHAT DO HIGH
COMMODITY PRICES
AND HIGH INPUTS MEAN
FOR THE FARM BILL
BASELINE?

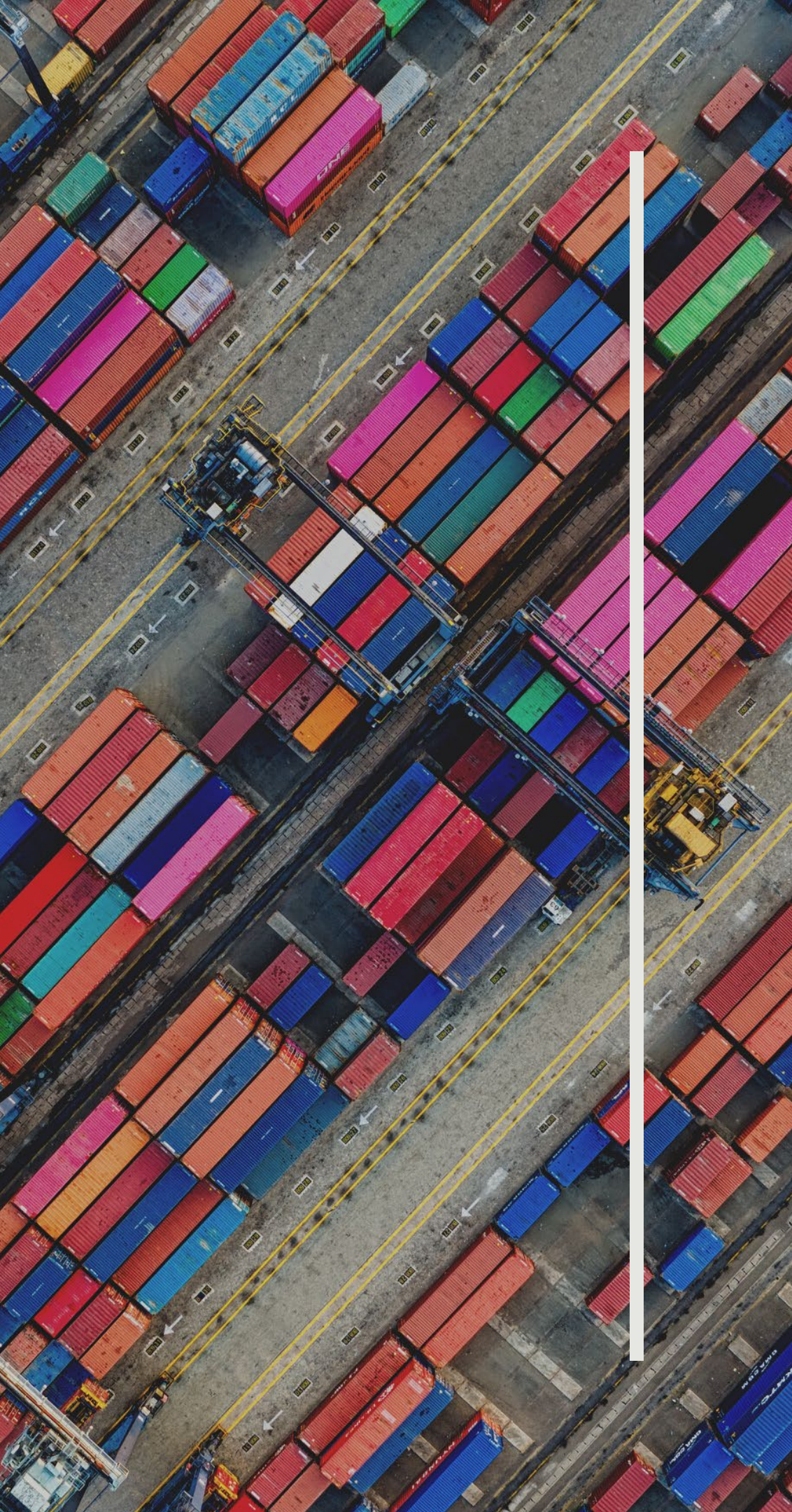
- Cash farm receipts forecast to be the highest on record at \$462 billion
- Production expenses also at highest on record at \$412 billion - up 5% from 2021
- Government payments down \$15.5 billion - 57%
- Net farm income \$114 billion - down from all time high in 2013



DOES FISCAL
DISCIPLINE RETURN TO
WASHINGTON AFTER
NOVEMBER ELECTIONS?

- Coronavirus Preparedness and Response Supplemental (March 2020), CAREs Act (March 2020), Paycheck Protection Program and Health Care Enhancement Act (April 2020), and the American Rescue Plan (March 2021) have totaled \$4.8 trillion
- Nutrition programs currently make up 3/4 of Farm Bill spending
- Commodity groups are developing Farm Bill proposals that include increases in reference prices and higher loan rates





What impact will a strong dollar have on exports?

Will this change the supply and demand picture and future farm income?



WILL GROUPS WHO GOT
ATTENTION IN BBB
LOOK TO THE FARM BILL
TO GET \$\$\$?

- Agriculture provisions in Build Back Better totaled \$90 billion
- \$10 billion for Child Nutrition Programs (USDA created another \$20 billion), \$2 billion for Research, \$18 billion for Rural Development, \$27 billion for Forestry, \$12 billion for Farmer Assistance, \$28 billion for Conservation Programs





Will pressures continue to lower payment limits and Adjusted Gross Income?





Will DEI interests converge with those who support payment limits to make the next Farm Bill less attractive for commercial-size farms?



Questions?



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