

THE LANDSCAPE OF THE 2023 FARM BILL

DECEMBER 6, 2022



**Farm Credit Services
of America**



**FRONTIER
FARM CREDIT**

WELCOME TO THE 118TH CONGRESS!

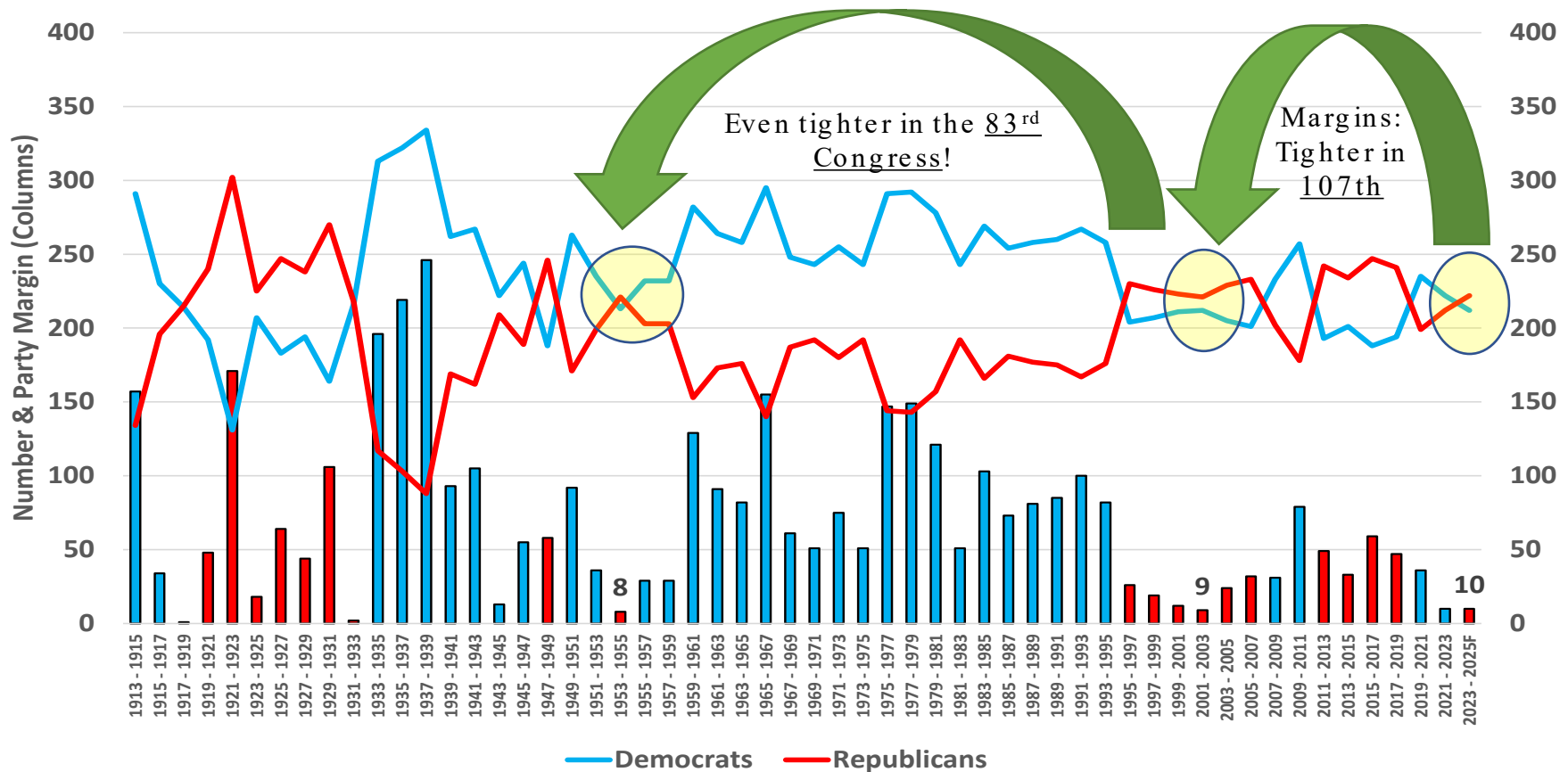
GARY MARKSTEIN®
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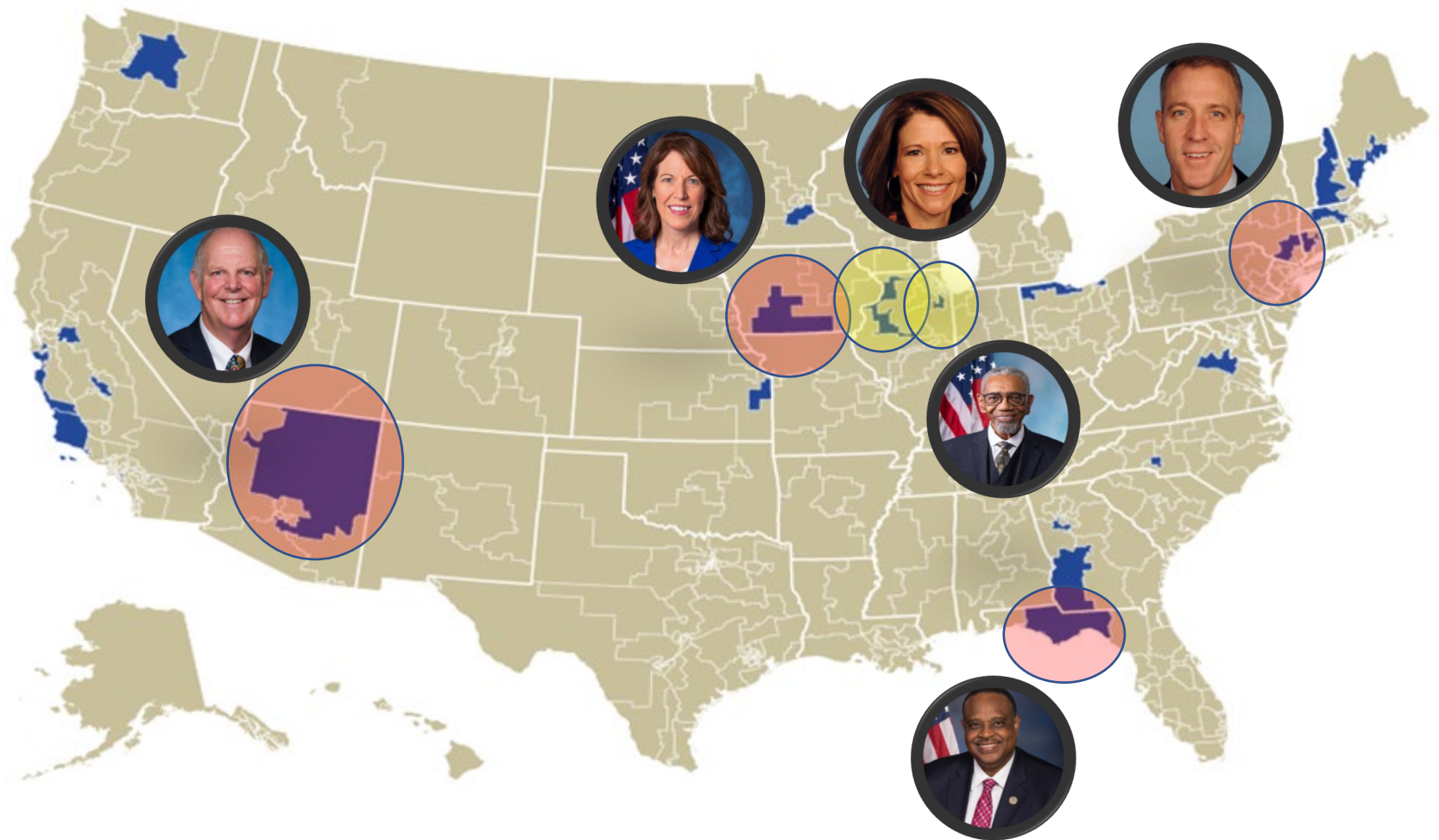
But let's be honest...This is how we truly feel!

PARTY DIVISIONS OF THE HOUSE

Party Divisions of the House of Representatives
(Republicans & Democrats: 1913 - 2025F)

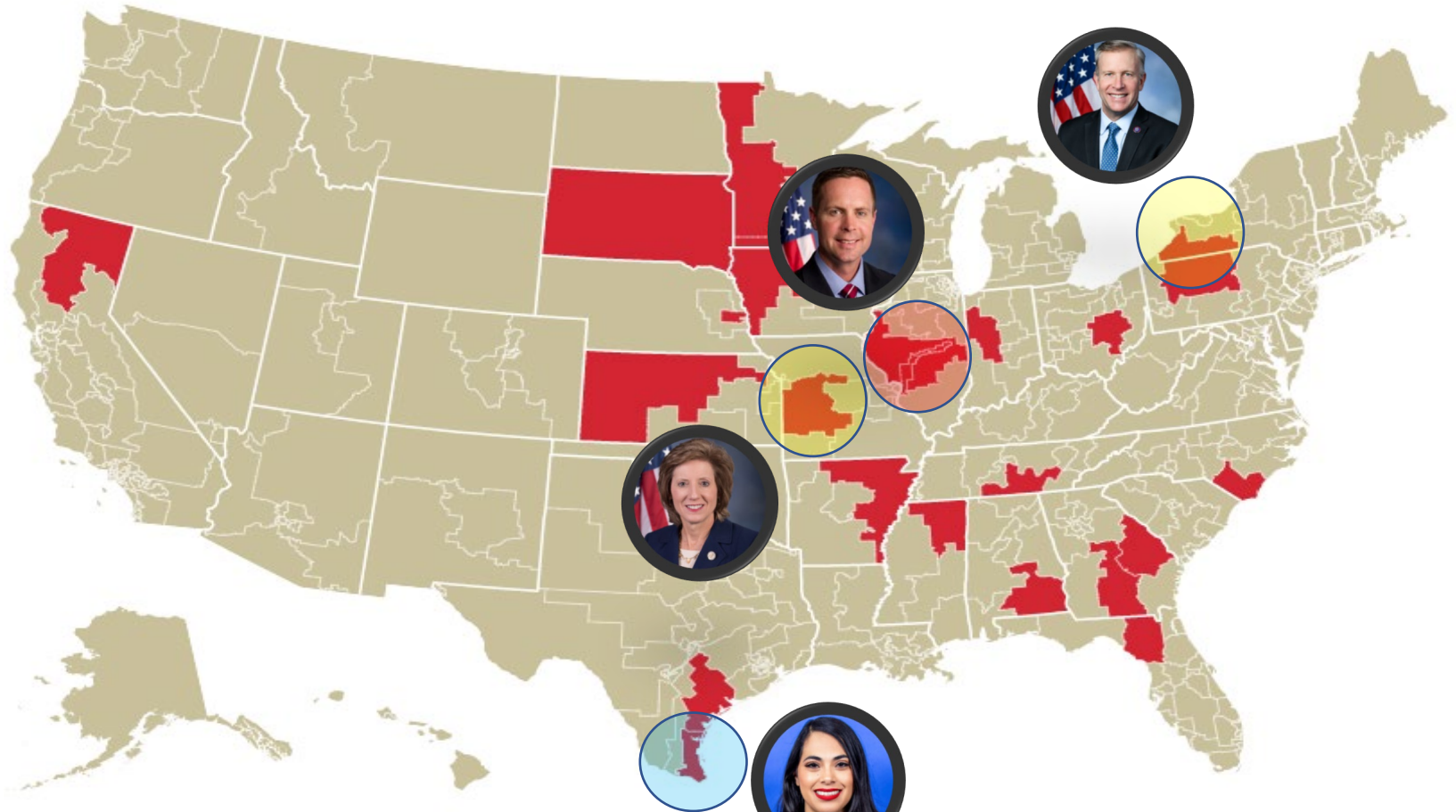


HOUSE AGRICULTURE COMMITTEE (D - 117TH)



Seat flipped Retirement

HOUSE AGRICULTURE COMMITTEE (R - 117TH)



Seat flipped Retirement Lost primary

HOUSE AG COMMITTEE LEADERSHIP



Glenn "GT" Thompson
R-PA-15
(Set for Chairmanship)



David Scott
D-GA-13
(Tentative Dem Leader)



THREE FARM BILL OBJECTIVES

1. Internet Access

2. Crop Insurance

3. Passage



HOUSE OF REPRESENTATIVES

213 DEM
seats

PROJECTION +/- 2

✓ 222 GOP
seats

218

Over 40 Freedom
Caucus Members (43)

Slim "R"
majority

1 vacancy

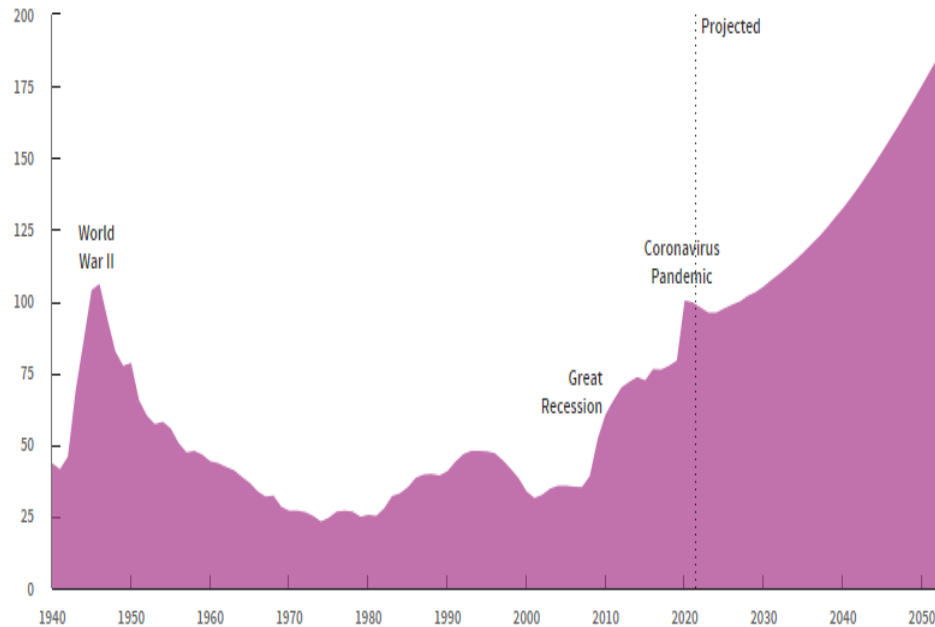
PRIORITY: DEFICIT REDUCTION



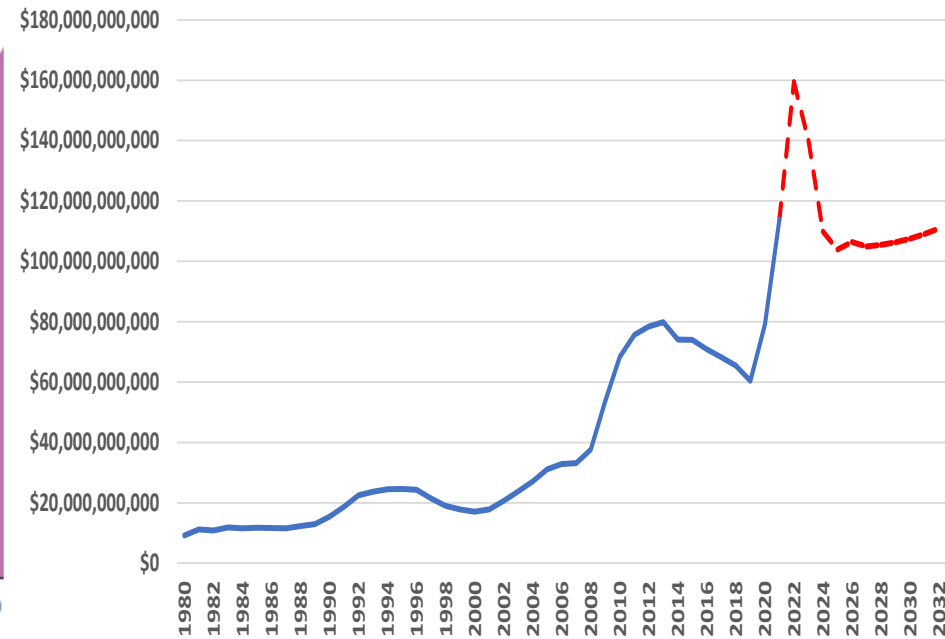
Legislative Priority: “Enforce Responsibility in Spending.”

Federal Debt Held by the Public, 1940 to 2052

Percentage of Gross Domestic Product

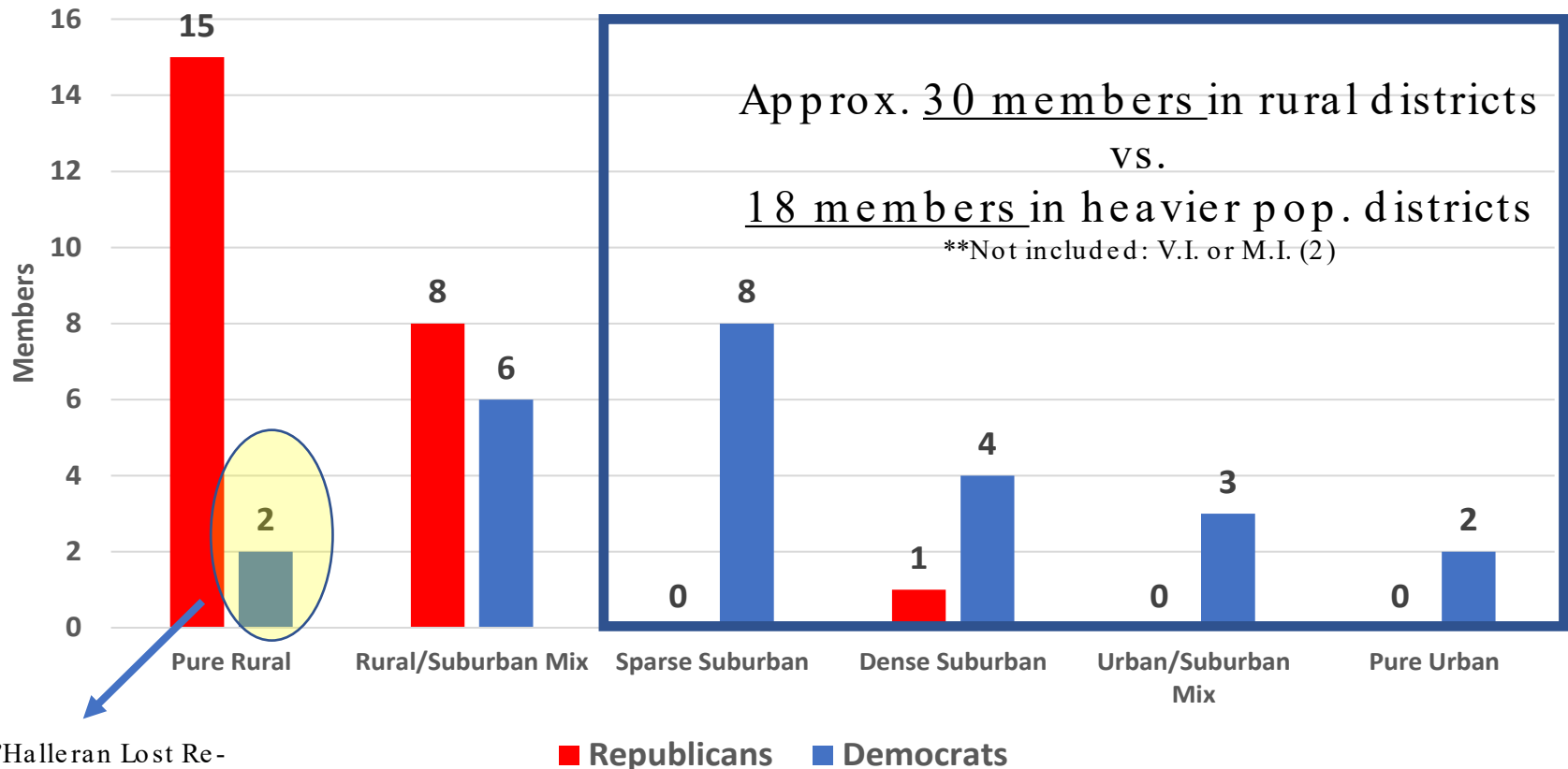


Supplemental Nutrition Assistance Program Costs and Projections (1980 - 2032F)



RURAL VS. URBAN

Geographic Representation of House Agriculture Committee
(117th Congress)



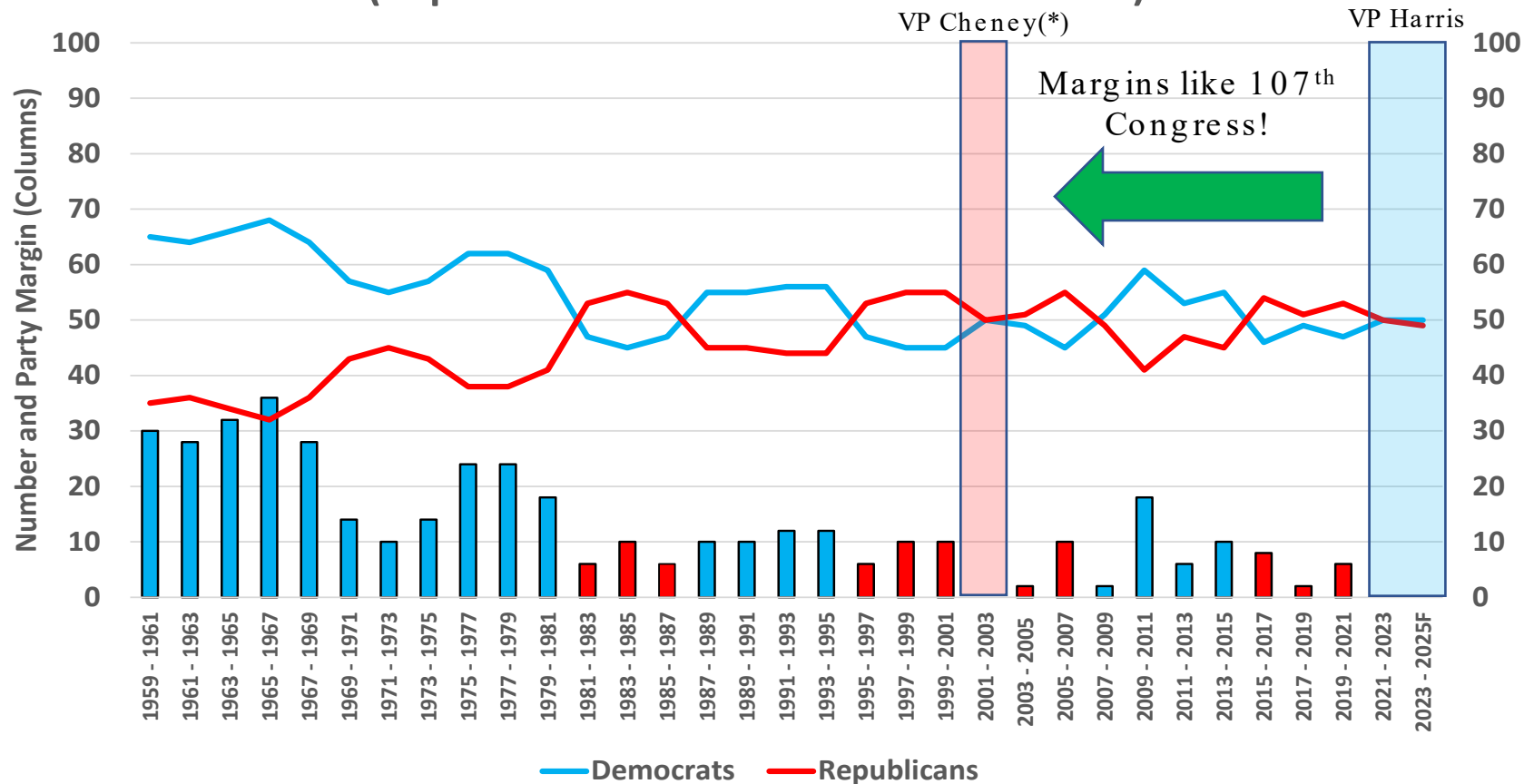
O'Halleran Lost Re-election; Only 1 "D" Member in a Pure Rural District from 117th.

HOUSE FARM BILL: THOUGHTS & PROCESS

- ✓ Rhetoric already calling for “bipartisan” & “on-time” bill.
- ✓ At least one-fifth of the 117th Ag Committee roster will be replaced.
- ✓ From 117th Congress House Ag Committee:
 - ✓ 30 districts considered “pure rural” or “rural-suburban mix”
 - ✓ Approx. 20 districts considered “suburban” or “purely urban”
- ✓ **Result**: Production ag & nutrition community will have to co-exist.
- ✓ R’s: Navigating inner-party politics on a \$1.3 trillion bill.
- ✓ A razor-thin margin could mean just getting a bill to conference.

PARTY DIVISIONS OF THE SENATE

Party Divisions of the U.S. Senate
(Republicans & Democrats: 1959 - 2025F)



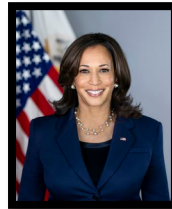
(*): In May 2001, Sen. Jeffords switched from (R) to (I) and caucusing with (D); D majority. Nov. 5, 2002 election brought to office Sen. Talent shifting power back to (R).

U.S. SENATE

✓ 50 DEM seats

49 GOP seats

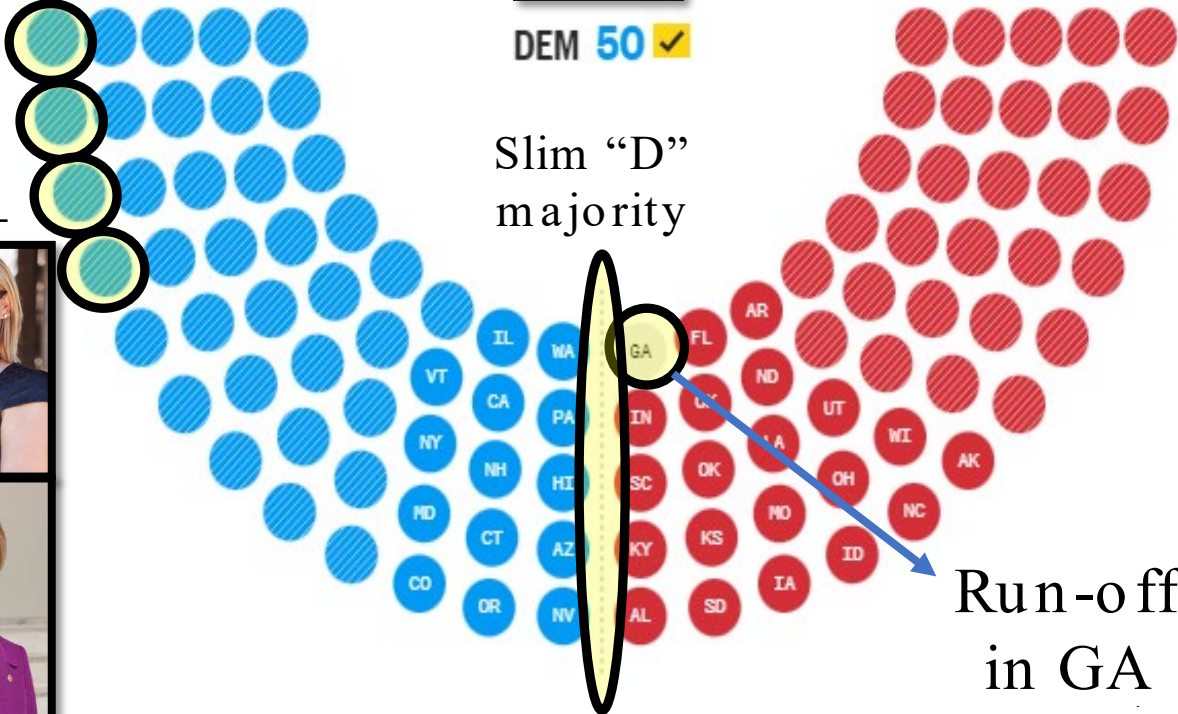
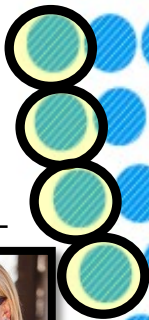
50



DEM 50 ✓

Slim "D" majority

Eye on 2024



Run-off
in GA

SENATE AG COMMITTEE LEADERSHIP



Debbie Stabenow
D-MI
(Chairwoman)



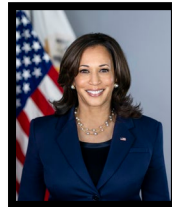
John Boozman
R-AR
(Ranking Member)

118TH CONGRESS & 2018 FARM BILL VOTE

✓ 50 DEM seats

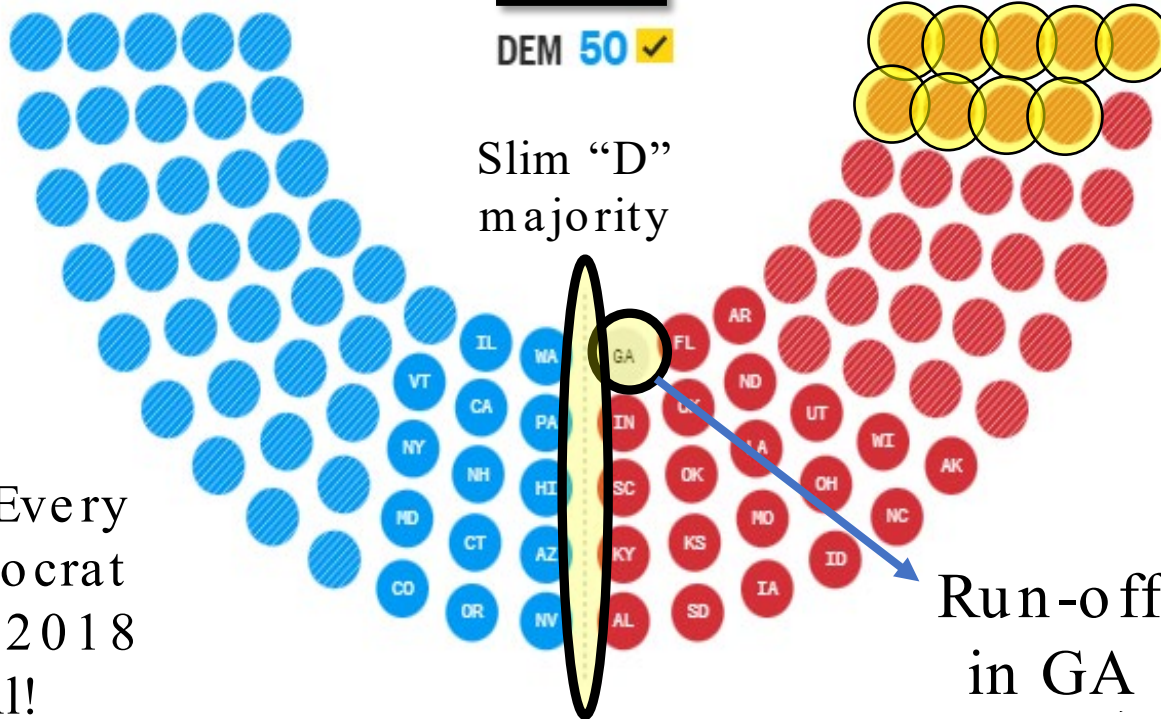
49 GOP seats

50



DEM 50 ✓

Slim "D" majority



Nine Members Voted "No" to the 2018 Farm Bill:

- Barrasso
- Cotton
- Grassley
- Johnson
- Kennedy
- Lee
- Murkowski
- Paul
- Rubio

Reminder: Every single Democrat voted "For" 2018 Farm Bill!

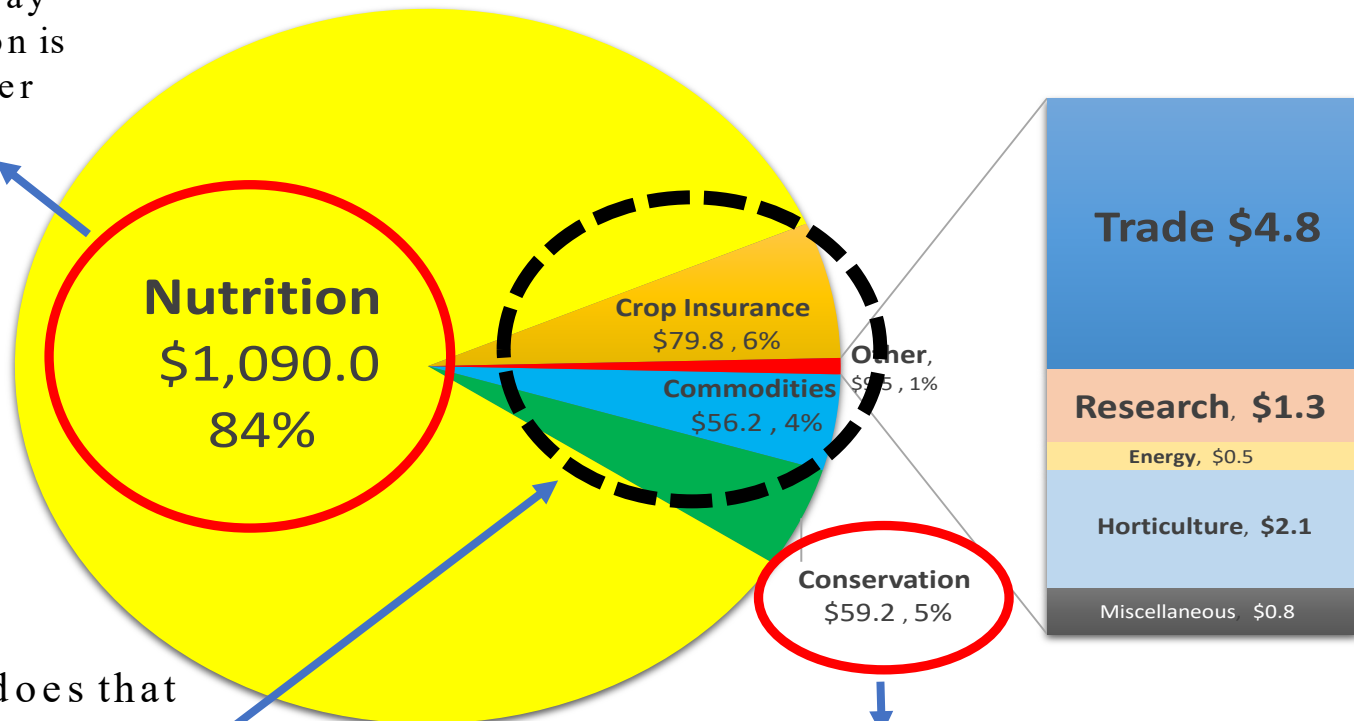
SENATE FARM BILL: THOUGHTS & PROCESS

- ✓ Senate: 60-vote threshold; House: simple majority (218).
- ✓ With uncertainty from the GA runoff, no Ag Committee member lost re-election. Only one retirement (Sen. Leahy).
- ✓ Historically, Democrats disciplined to vote as a block. Republicans based on geography and issue.
- ✓ Where will the money come from?
 - ✓ Cuts to Nutrition an automatic non-starter in the Senate.
 - ✓ Conservation programs authorized (w/IRA) out to 2031.
 - ✓ By default, could that leave commodities versus crop insurance?
- ✓ Will other issues creep in to 2023 Farm Bill?

2023 FARM BILL

Baseline for Farm Bill Programs, By Title (Billion \$, 10-yr. Outlays, FY 2023 - 2032)

Any \$\$\$ away from Nutrition is a non-starter with D's.



So, what does that leave...
Commodities & Crop Insurance

Due to the IRA, most Conservation programs were extended out to 2031.

THE PATH TO A 2023 FARM BILL

Senate

Hold hearings
to build the
record.

Committee drafts,
amends, and votes on
their version of the Bill.

Full chamber debates,
amends, and votes on the Bill.



House

Hold hearings
to build the
record.

Committee drafts,
amends, and votes on
their version of the Bill.

Full chamber debates,
amends, and votes on the Bill.

Conference committee
forms to resolve and
combine Bills.

Full chambers vote on the
combined Bill.

Final Bill sent to White House
for President's signature.

2023 FARM BILL: AG ECONOMY IN SHORT-TERM

Bulls

Crops

- ✓ Tight Supplies (Dom. & Global)
- ✓ Dry Weather Conditions
- ✓ Strong Domestic Demand
- ✓ Geopolitical Uncertainty

Proteins

- ✓ Low Inventories
- ✓ High Costs (Feed & Materials)
- ✓ Int'l Disease Pressures
- ✓ Dry Weather Conditions
- ✓ Robust Exports (Beef)

Crops

- ✓ S.A. Weather
- ✓ China
- ✓ Input Costs

Proteins

- ✓ China
- ✓ ASF

Bears

Crops

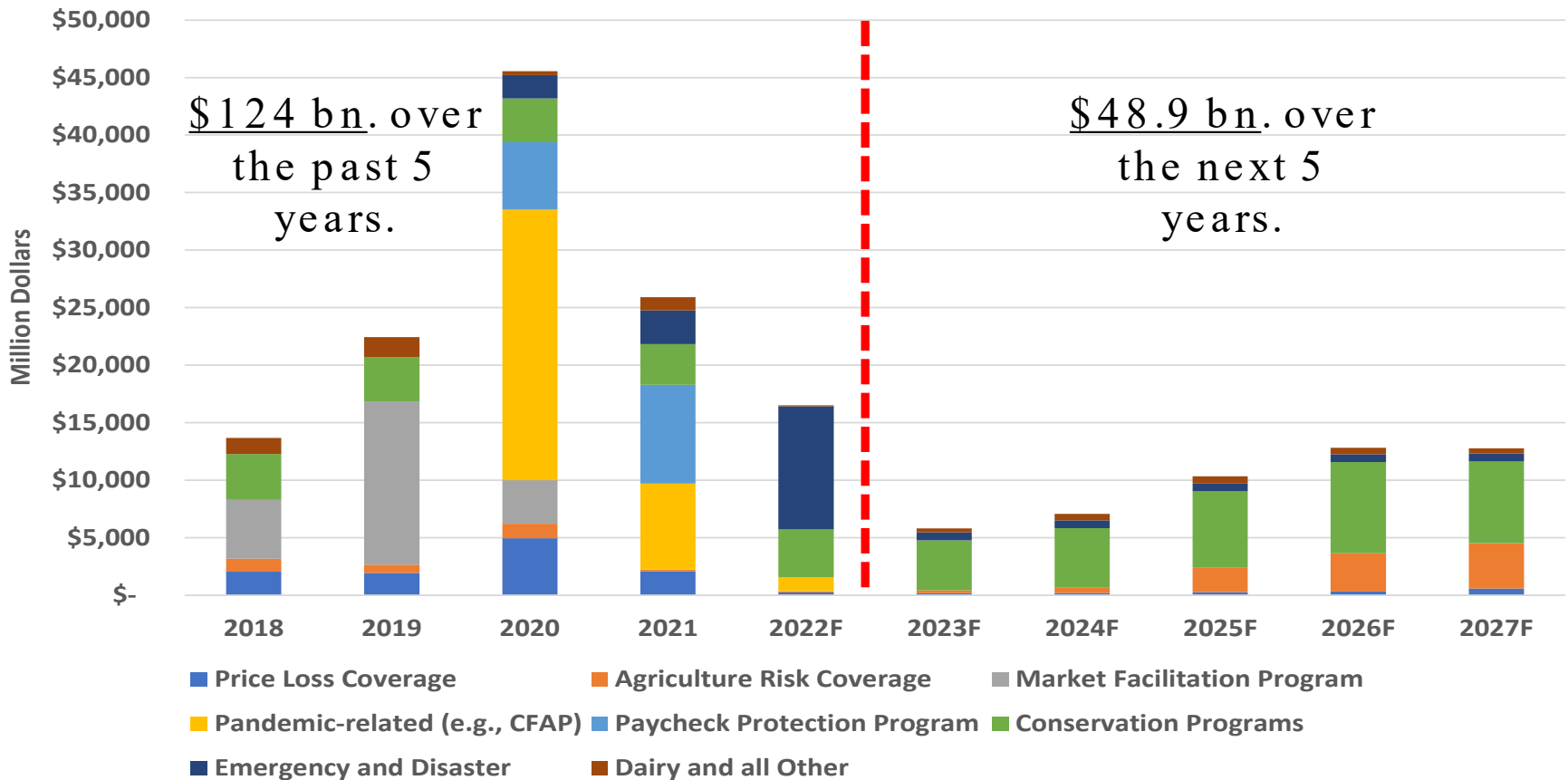
- ✓ Large Planted Acres
- ✓ Overproduction Internationally
- ✓ Strong(er) U.S. Dollar
- ✓ Competition

Proteins

- ✓ Increasing Chinese Hog Herd
- ✓ Reduced Pork Exports
- ✓ Inflation
- ✓ Strong(er) U.S. Dollar
- ✓ Biosecurity Threats

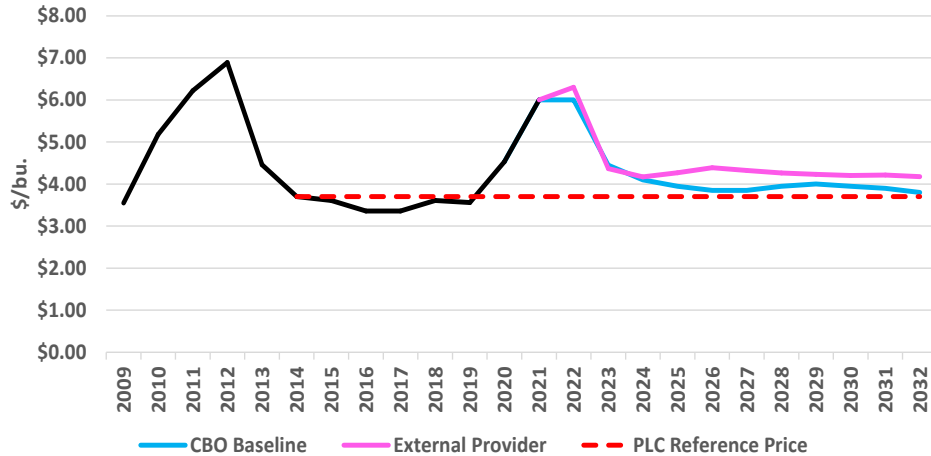
2023 FARM BILL: NEXT 5 YEARS

U.S. Government Payments (2018 - 2027F)

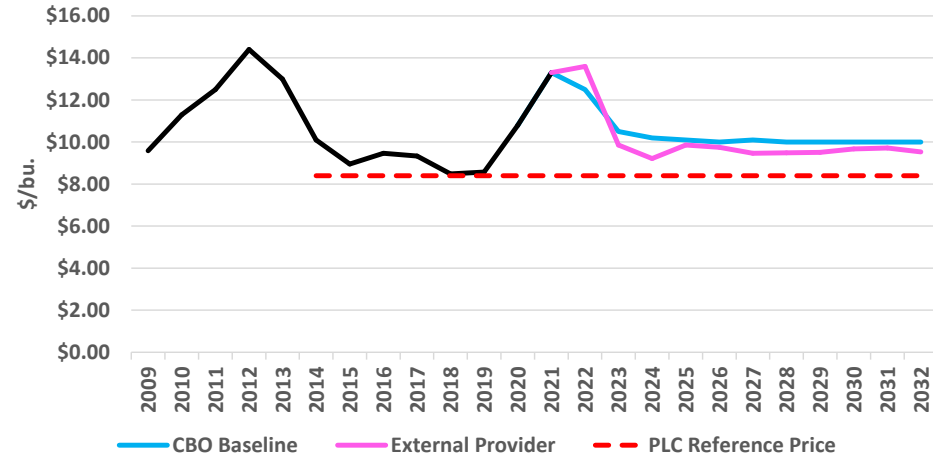


2023 FARM BILL: NEXT 10 YEARS (LONGER TERM)

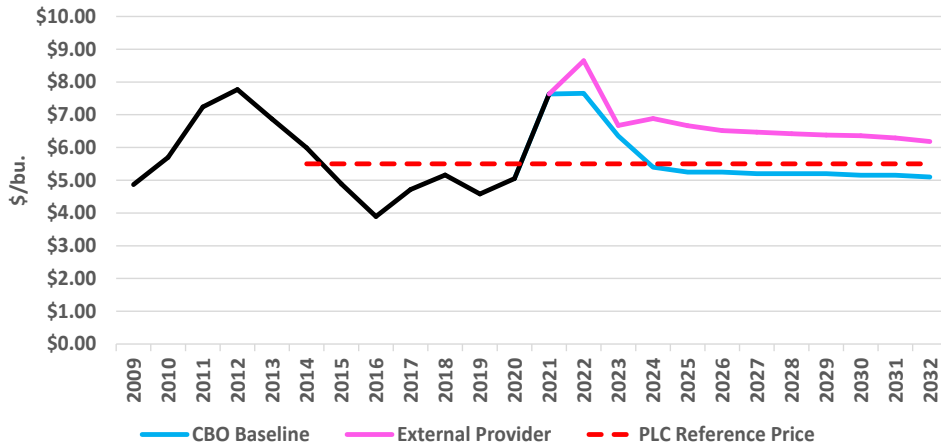
Marketing Year Average Price for Corn
(2009 - 2032F)



Marketing Year Average Price for Soybeans
(2009 - 2032F)



Marketing Year Average Price for Wheat
(2009 - 2032F)



	CBO (May Baseline)	Today	10-yr. avg.	PLC
Corn		\$6.00	\$3.98	\$3.70
Soybeans		\$12.50	\$10.09	\$8.40
Wheat		\$7.65	\$5.33	\$5.50

CHALLENGES WITHIN THE PROCESS

- ✓ Updated CBO baseline.
 - ✓ Although prices are high now, 2023 Farm Bill will likely be scored against a lower price baseline.
 - ✓ At the discretion of the Chair, the majority of Member proposals and amendments are asked to be scored. *That takes time...*
- ✓ Budget savings & Def. reduction: A budget neutral bill may be a good outcome.
- ✓ Bipartisanship & Time: Is it possible given historically tight margins and a Presidential year upcoming? The clock will be ticking on any bipartisanship...
- ✓ Already pivoting to 2024. Senate map looks favorable for R's.
 - ✓ 3 D's represent states where Trump won in 2016 & 2020 (MT, OH, & WV); 0 R's represent states where Biden won in 2020.
 - ✓ 7 D's represent states where Biden won by single digits (AZ, WI, PA, NV, MI, MN, and ME); 2 R's represent states that Trump won by single digits (FL & TX).

FINAL THOUGHTS: 2023 FARM BILL

- ✓ Like 2018, budget situation will be difficult.
- ✓ Political situation will make it extremely difficult to get anything passed. How bad does House Ag Chairman Thompson want a bill?
- ✓ 0% chance of an on-time Farm Bill if the debate centers around cuts to Nutrition. Will House R's concede?
- ✓ Will Farm Bill get wrapped up in any sort of deficit reduction or debt ceiling debate?
- ✓ While not impossible, it will be extremely challenging to get this bill passed on time. If the Farm Bill is not complete by the first half of 2024, start thinking 2025.