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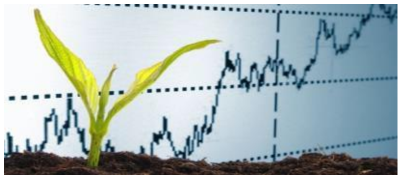
College of Agriculture, Food and Environment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FEATURED ARTICLES

2018 FARM BILL ADVANCES

After a period of uncertainty, the 2018 Farm Bill is back on track with both chambers passing their versions of the nation's comprehensive farm/food policy legislation. On mainly a partisan vote, the House narrowly passed their version of the bill 213-211 on June 20th, following the defeat of a similar bill in May. The Senate overwhelmingly voted in favor of their farm bill 86-11 on June 28th. Now negotiations between an appointed conference committee will settle the differences among the House and Senate versions as legislators attempt to get a 2018 farm bill signed into law prior to the September 30, 2018 expiration of the 2014 farm bill. If this materializes, it would represent the first time a farm bill has passed on time in more than 20 years. In the midst of a depressed farm economy and trade tensions, leaders in both chambers have expressed their desires that conferees meet immediately after the July 4th recess to merge the two bills and send it to White House for President Trump's signature prior to the August recess.

Structurally, both bills are very similar to the 2014 farm bill, which introduced the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) as the centerpiece of farm program safety net. The House farm bill allows for a one-time election of PLC vs ARC covering the 2019 -2023 crop years, while the Senate bill would permit farmers to change their election in the 2021 crop year following their 2019 election.

The Senate bill also contains language to pave the way for legalization of industrial hemp by removing it from the federal list of controlled substances. States would be the primary regulators for the crop, and the bill also allows hemp researchers to apply for USDA competitive grants and hemp farmers to be eligible for federal crop insurance. The Senate bill also gave greater attention to programs that promote organic agriculture and local foods and increased trade promotion efforts. The controversial crop insurance and sugar programs come out of the farm bill debate in both chambers relatively unscathed.

In reality, work requirement provisions as part of the Supplemental Nutrition Assistance Program (SNAP, better known as the food stamp program) remain the major difference between the two bills. The House farm bill contains eligibility requirements that able-bodied adults (ages 18 to 59), without children under the age of 6 to either work or participate in a free work training program for a minimum of 20 hours per week in order to receive SNAP benefits. The House bill limits SNAP eligibility to individuals with incomes that are no more than 30% above the federal poverty level. The Senate version contains no language addressing work requirements, instead focused on efforts to reduce fraud within SNAP. In recent farm bills, SNAP has accounted for 70 to 80% of total farm bill expenditures.

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Selected Ag Provisions of the House and Senate Farm Bills 1/

Provision	House	Senate
Agricultural Risk Coverage (ARC)	Adopts using RMA (crop insurance) yields vs NASS (survey) yields. Revenue calculations based on county location of the farm, not the operator's home county. Eliminates ARC - Individual	Similar to House version, except Senate version maintains both ARC-County and ARC-Individual options. Increases substitute yield for calculating revenue guarantee under ARC.
Price Loss Coverage (PLC)	Allows for reference prices to adjust to changing market conditions	No changes to PLC
Payment Limitations	Maintains $125,000 individual payment limitation, but removes loan deficiency payments (LDP) and marketing loan gains from the $125,000 payment cap. Expands the definition of family member (for purposes of payment limits) to include first cousins, nieces and nephews and allows owners of LLCs and S corporations to qualify for the $125,000 payment limit.	Tightens payment limitations by redefining managers that are "actively engaged" in the farming operation. Reduces the adjusted gross income (AGI) eligibility to receive commodity and conservation payments from the existing $900,000 level to $700,000.
Dairy	The Margin Protection Program (MPP) is renamed the Dairy Risk Management (DRM) program. Adjusts coverage and premium levels, reevaluates feed costs calculations and allows for insurance coverage on milk production not covered under the DRM.	The Margin Protection Program (MPP) is renamed the Dairy Risk Coverage program and increases coverage levels to $9/cwt, with premium discounts for smaller to mid-sized dairies.
Crop Insurance	Maintained with minor changes.	Maintained with minor changes. Allows a producer to establish a single enterprise unit by combining enterprise units in one or more other counties. Hemp becomes eligible for crop insurance along with incentives for cover crops and insurance agents to sell whole-farm policies.
Conservation Reserve Program (CRP)	Increases from 24 million acres to 29 million acres, while capping rental rates at 80% of the county rental rate average.	Increases from 24 million to 25 million acres, while capping rates at 88.5% of the county rental rate average. Allows landowners to cut hay or graze land enrolled in CRP.
Conservation Stewardship Program (CSP)	Eliminated with previous signups remaining intact. Certain provisions merged into the Environmental Quality Incentives Program (EQIP).	Retained, but cuts CSP enrollment cap from 10 million acres a year to 8.8 million annually.

1/ A House Agriculture Committee summary of their farm bill can be accessed at https://agriculture.house.gov/uploadedfiles/agriculture_and_nutrition_act_short_summary.pdf , while the Senate bill can be found at https://www.agriculture.senate.gov/2018-farm-bill. For details on the ARC/PLC programs/calculations and other 2014 Farm Bill programs see 2014 Farm Bill Fact Sheet.

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Environmental Quality Incentives Program (EQIP)	Removes livestock funding set-aside for EQIP. Increases EQIP funding from $1.75 billion in FY18 to $2 billion in FY19 and $3 billion by FY23.	Reduces EQIP livestock set-aside from 60% to 50%, with funding at $1.47 billion in FY18 and $1.6 billion in FY23.
Beginning Farm Programs	Maintains credit, value-added grants, crop insurance incentives and outreach programs for new/young farmers.	Merges the Beginning Farmer and other underserved programs into a new program called the Farming Opportunities Training and Outreach Program.
Animal Diseases	Establishes a National Animal Disease Preparedness and Response Program to address animal health challenges.	Similar to House Bill

Kentucky farmers overwhelmingly signed up for the ARC program (vs the PLC) program under the 2014 farm bill given the level of projected payments and the established reference prices for PLC. In 2015, Kentucky farmers received $49.8 million dollars of ARC payments (7.8% of net farm income) and $59.1 million (13% of net farm income) in 2016. Last October, the Kentucky Farm Service Agency (FSA) indicated that 32,787 Kentucky farms that enrolled in safety-net programs established by the 2014 Farm Bill received $90.5 million in 2017, which covered the 2016 crop year. Preliminary indications are that payments in 2018 for the 2017 crop will be significantly lower due to the structure of the ARC program calculations. Given current and projected price levels, it appears more farmers will give greater attention to the PLC program in future crop years if the current structure of the 2018 farm becomes law.

KY Federal Farm Program Direct Payments 2/	2015	2016
	------- million dollars------	
Average Crop Revenue (ARC)	$49.8	$59.1
Price Loss Coverage (PLC)	-	$3.8
Conservation Payments	$62.5	$60.3
Total Direct Farm Program Payments (% of Net Farm Income	$127.7 (7.8% of Net Farm Income)	$128.9 (13.0% of Net Farm Income)

2/ Source ERS/USDA – Official data for 2017 become available in August 2018

William M. Snell, Extension Professor, Kentucky Agricultural Leadership Program Co-Director, Economic & Policy Update Editor

PRICING SPECIALTY CROPS: RESOURCES AND TIPS

At the Center for Crop Diversification (CCD), many of the specialty crop producers we talk with are direct marketers. One of their most common questions is “how much should I sell my products for?” For those interested in pursuing larger commercial markets, the question is slightly different: “what kind of price might I expect?” These are more complicated questions than they seem, as market type, geographical location, weather conditions, credence or other attributes (certified organic, heirloom, etc.) customer willingness-to-pay, and several other variables play a role in determining price. There are a few go-to resources that can help a grower get a sense of the typical price for their products.

Center for Crop Diversification Price Reports

CCD price reports for Farmers Markets and Produce Auctions in this region are the single most popular resource we offer. We update and add new reports to the site multiple times per week during the season, and we have archived reports going back to 2004. In an odd year like this one with skewed harvest timelines, users can look back at previous reports to see what prices look like in more typical years. Last year we released a 3-Year Average Report for Kentucky Farmers Markets and Produce Auctions.

Quick Tips:

- Make sure the prices you are looking at are from a **geographically and demographically similar** market to yours—it’s easy to get drawn in by dollar signs and price higher than your customer base is willing to pay.
- **Consider more than one report or market** when making pricing decisions. Is it early in the season? Late? It is possible that the price you are seeing on the report was too high or too low and you’ll see an adjustment the following week.
- **Farmers Market Prices do NOT tell us sales volumes**. It’s entirely possible that a reported price for a market is too high or too low. Use the reports as a starting point for your own prices, but pay attention to your sales. Selling out by 9am? Your price may be low or you might want to grow more. Nobody’s buying? You may be priced high, quality may be an issue, or maybe people in your market just don’t want that product.
- **Auction prices are fairly variable** day to day, so keep that in mind if you are planning to market there.
- **Use these reports in conversations about price** at your market. If you feel that vendors are pricing their products inaccurately, bring some data to the conversation and explain what the price environment looks like across the region.
- **Auction prices can help estimate “local wholesale” prices.** Though they are different markets, they can help to give an idea of the local price conditions for larger volumes of product.

USDA Agriculture Marketing Service Resources

The USDA-AMS has some great resources for assessing prices for regional wholesale markets and as well as grocery retail prices. Their system is more complex than the CCD reports, but it is an invaluable resource for seeing what prices look like outside of local direct markets. AMS reports will allow you to see prices at retail (grocery) outlets across the country, including organic products. It will also allow you to see prices at large terminal markets in major cities. All the specialty crop resources from AMS are available here. We’d recommend starting with the retail reports and terminal market reports (under “By Report Type”).

Quick Tips:

- **Experiment with the system.** Run a dozen different reports with different settings to get a sense of how the system works.
- **Pay close attention to units and other details** (i.e. varieties, organic vs. not, and number of stores). Convert everything to the same units and make sure the products are similar before comparing.

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- **Export the data.** If you are handy with Excel or other data analysis software, you can quickly summarize and analyze the data from these reports.
- **Compare to previous years**. Even if you don't export to another software program, you can directly compare prices to the previous year within the AMS website (bottom left hand corner).
- **Keep it close to home**. While it's useful to take a look at all the terminal market reports across the country, it's perhaps most useful to consider those closest to your market. For example, in Kentucky you might look at Atlanta, Chicago, and St. Louis.

Know Your Budget & Buyers

These resources can help you to get a sense of the going price for some of the products you sell. What they won't tell you is whether you are profitable when you sell them at that price. To understand that, you'll need a good grasp on your production and marketing costs. It's beyond the scope of this article, but a good starting point is the enterprise budgets available from the CCD. We have both small- and large-scale versions of these budgets for 18 different crops. It's also important to emphasize that these price reports are just reference points for pricing and product considerations. Use them to prepare before a meeting with a potential buyer or customer. At best, you may be able to negotiate a better price for your product and at worst, you'll know that you were not unreasonable when you held firm on your asking price.

Was this article helpful? Would you like to see more like this? Let us know on facebook or by emailing brett.wolff@uky.edu.

Resource Links:
Center for Crop Diversification Price Reports: http://www.uky.edu/ccd/pricereports
CCD Budgets: http://www.uky.edu/ccd/tools/budgets
USDA-AMS Specialty Crop Resources: https://www.ams.usda.gov/market-news/fruits-vegetables

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CENTER FOR CROP DIVERSIFICATION
Marketing for All
Adaptable Marketing Training for Small Farms

MOTIVATING EMPLOYEES

A common observation among employers is that their employees don't seem to be motivated to perform at the level they (the employer) expect. "I pay them well… I treat them right… they oughta work harder…" seems to be a common refrain. Motivating others has long been an issue in labor management circles. "How do I motivate employees?" is the unsolvable problem for many employers.

Susan Fowler of the Ken Blanchard Companies is one of the latest management experts to address this issue in her book, *"Why motivating people doesn't work…and what does."* Fowler contends that people are already motivated. The question is whether their motivation is "optimal" or "suboptimal." One of the levels of motivation she describes is "disinterested." That is a motivation….but a suboptimal one. Disinterested employees don't know, don't care, and don't want to be here. They are motivated, just in a very bad way.

She describes five other levels of motivation along a spectrum from suboptimal to optimal. The next one up the scale from disinterested is "external." For the folks who think they can motivate someone else, this is the typical strategy. External motivators can be positive (pay and rewards) or negative (threats and punishment). External motivators are among the most commonly used and some of the least effective. Their effects are often short run and do little to affect the internal motivation of employees.

Her third suboptimal level is "Imposed." This level is often derived from pressure, guilt, or obligation. It's an improvement from disinterested or external, but is often based on expectations – someone else's – rather than an internal motivation to perform at a high level. It's still suboptimal.

Fowler's three optimal levels of motivation are: Aligned, Integrated, and Inherent. These three levels reflect a higher level of internal motivation and are more likely to meet the psychological needs of employees…they are internally rewarding.

Aligned employees "see what we're doing here" and can see why it's important. They are the engaged employees who buy into the task at hand feel like they might even learn something useful for the future. They are the ones who are looking for a better way and feel the freedom to make constructive suggestions.

Integrated employees are the ones who will describe the organization in terms of "we" rather than "they" and feel a strong sense of belonging. Integrated employees have a feeling that what "we're" doing is not only important to the company, but it's important to "me" and that "I'm making a difference."

Inherent motivation describes the state of doing something that you really enjoy. "This job is fun. Shoot, I'd do it for free." This is the motivation that describes someone who is passionate about what they are doing. In fact, the risk (for some business owners) is that they would do it for free.

So, how do managers create an environment to support the optimal levels and avoid the suboptimal levels? Fowler suggests that three basic psychological needs must be met: Autonomy, Relatedness, and Competence. Employees need to feel that they have some level of control and freedom to make decisions… that's the autonomy. They also need to feel related to what's going on. We are social creatures who thrive in an environment of recognition and appropriate praise. Employees need to feel like they will be heard when they have something to contribute. Finally, employees need the training and guidance to develop skills and abilities that enable them to perform at a high level, i.e. competence.

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HAVING THE TOUGH TALKS

Across the state there are many farmers having tough conversations that no one wants to have or looks forward to when it has to happen. These conversations are not only taking place with family members around the kitchen table but at their lender's office. The past couple years of low grain and livestock prices have forced producers to take a very detailed look their finances, both farm and non-farm.

When looking at the non-farm side of things the first thing examined is how much family living is drawing out of the farm operation. Over the past few years when commodity prices were high, the total amount from the farm kept growing larger each year. Now prices has dropped and family living has not followed suit, putting a strain on family dynamics at times. From these talks decisions might be made in order to decrease the amount of family living taken out, or to decide if there needs to be a source of non-farm income to help with family expenses. Both of these can be difficult to come to grips with but could be the outcome.

For some being completely open and honest with their lender can be difficult; however, it does not need to be. Conversations with financial officers are some of the most important talks taking place right now among stakeholders within the operation. At times like these, financial officers need to know all the facts (projected budgets, commodity contracts, etc.) in order to help the farmer to the best of their abilities. Not having this information or not having the correct information can mislead the lender into letting the farmer borrow more than needed. Even in distressed situations, most lenders want to be able to help the farmer keep farming but in order to do that the farmer must be honest. At times knowing what the family dynamics are can be very helpful, especially if there are multiple people invested in one operation.

Having tough conversations about finances is not a task that someone puts first on his/her to-do list for the week, however at times it needs to be. Commodity prices have forced producers to take a hard look at their finances and their balance sheets and as a result, tough conversations are happening. This could be a very trying time on farms across the state but with open communication with all parties involved, the tough talks about reality will become easier.

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