

Impacts of the 1996 Farm Bill Including Ad Hoc Additions

Daryll E. Ray

University of Tennessee

Agricultural Policy Analysis Center

Preparation for Farm Bill Debate Season

- Events and changes in perceptions that led to adoption of 1996 Farm Bill (FB)
 - Long Term factors
 - Short Term Factors
- Conventional wisdom about FB's performance
 - Performed well first two years — “high” prices and incomes
 - Sabotaged by the Asian Crisis
- Were the premises that underlie the legislation proven true?

Events and Changes in Perceptions that Influenced the Shape of the 1996 Farm Bill

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 - Changing nature of agricultural sector
 - Increasing influence of “Chicago School”
 - Disillusionment with farm programs
 - Rising popularity of deregulation

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- Anonymous outlines of 1996 FB-like program
- Increase in farm commodity prices during farm program debate

Prices peak before first crop year of 1996 Farm Bill

- Prices peaked shortly after FB signed into law

Prices peak before first crop year of 1996 Farm Bill



Closing weekly futures price for corn
for the nearest contract month

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	Harvested acreaage	Yield	Production	Beginning stocks	Exports	Farm price
Corn	<i>M ac</i>	<i>Bu/ac</i>	<i>M bu</i>	<i>M bu</i>	<i>M bu</i>	<i>\$/bu</i>
1994/95	72.9	138.6	10,103	850	2,177	2.26
1995/96	65.0	113.5	7,374	1,558	2,228	3.24
1996/97	72.6	127.1	9,233	426	1,797	2.71
1997/98	72.7	126.7	9,207	883	1,504	2.43
1998/99	72.6	134.4	9,759	1,308	1,981	1.94
1999/00*	70.5	133.8	9,437	1,787	1,935	1.80

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- 1995 was record price crop-year; year before FB
- Prices began their fall to current levels from the get go
- Exports were down—not strong—the first two years of FB
- Granaries empty when FB began in crop year 1996

Did the Asian Crisis Cause U.S. Agriculture to Crash?

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Did the Asian Crisis Cause U.S. Agriculture to Crash?

- Major U.S. drop in crop exports came before Southeast Asian crisis occurred
- There were reductions in U.S. exports to Japan and S. Korea but they were offset by other suppliers (China & Argentina in case of corn)
- Total Asian crop imports were relatively unaffected by crisis

U.S. Major Crop Receipts and Government Payments

	Major Crops Cash Receipts	All other Crop & Livestock Cash Receipts	Government Payments	Major Crop Cash Receipts Plus Government Payments	Government Payments as % of Major Crop Cash Receipts Plus Government Payments	Net Farm Income	Government Payments as a % of net farm income
	<i>Bil \$</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>Bil \$</i>	<i>%</i>	<i>Bil \$</i>	<i>%</i>
1995	57.3	126.1	7.3	64.6	11.3	36.9	19.8
1996	61.4	146.2	7.3	68.7	10.6	54.9	13.3
1997	63.5	145.3	7.5	71.0	10.6	48.6	15.4
1998	55.2	141.1	12.2	67.4	18.1	44.6	27.4
1999	45.4	142.8	20.6	66.0	31.2	43.4	47.5

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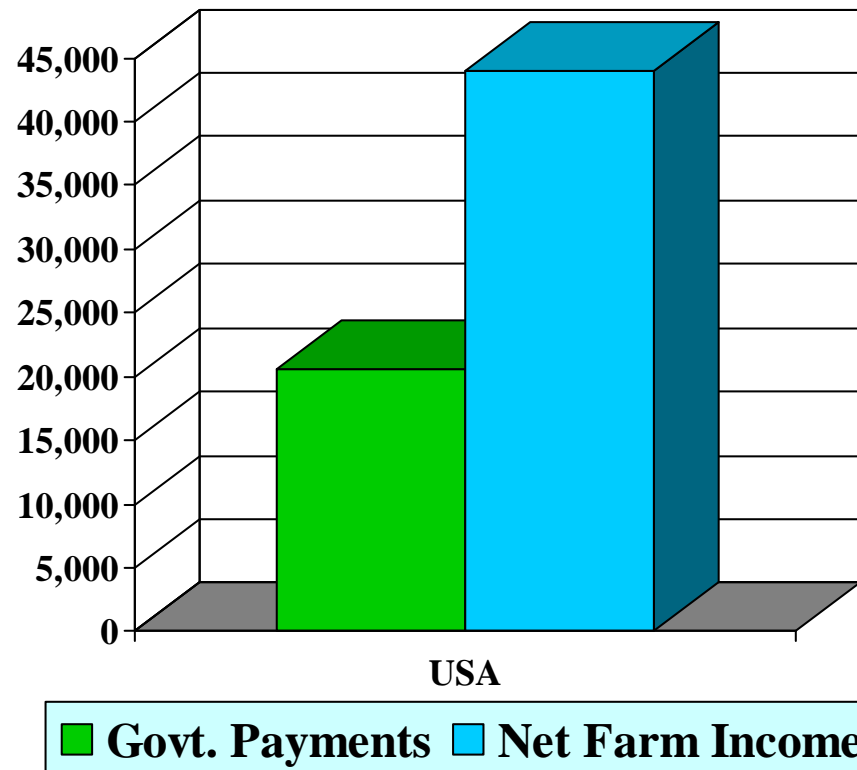
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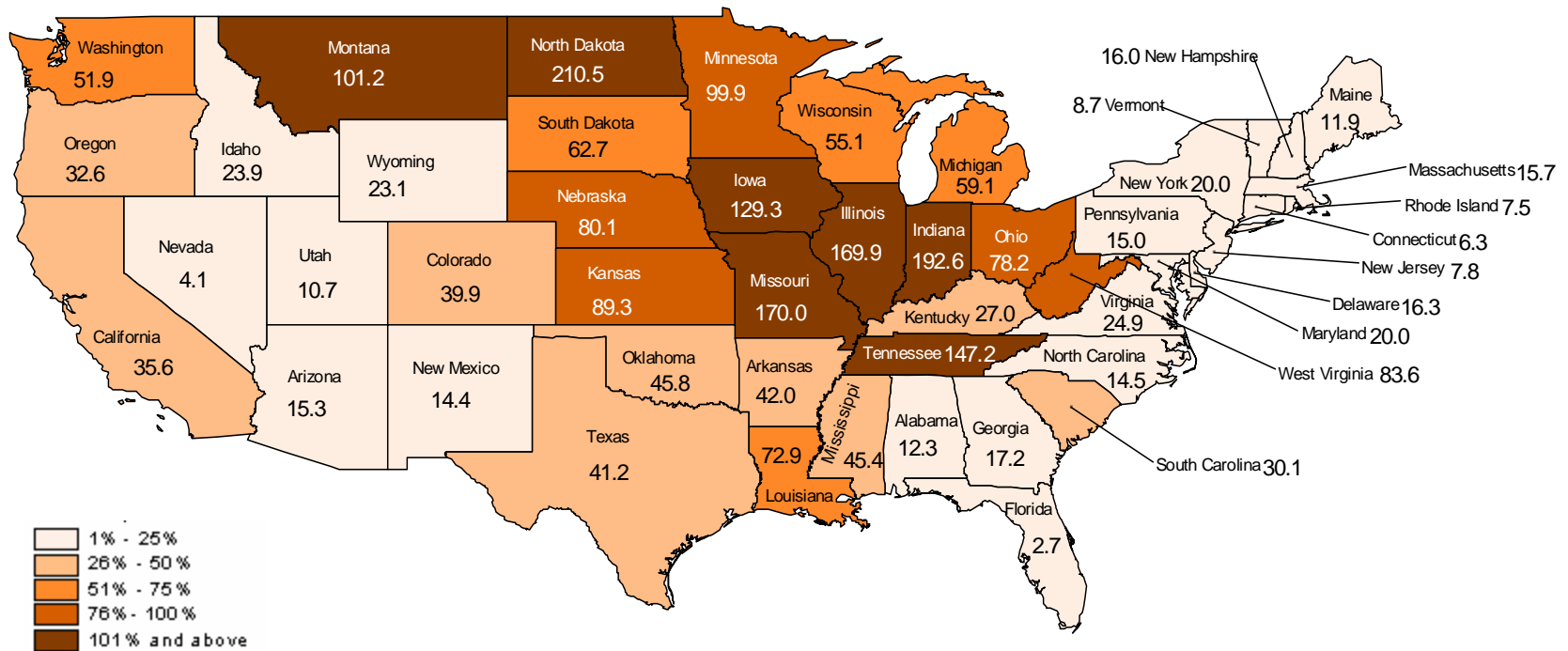
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- By 1999 major crop cash rec. down 25% & payments 3 times larger
- Payments 1/3 of crop's receipts

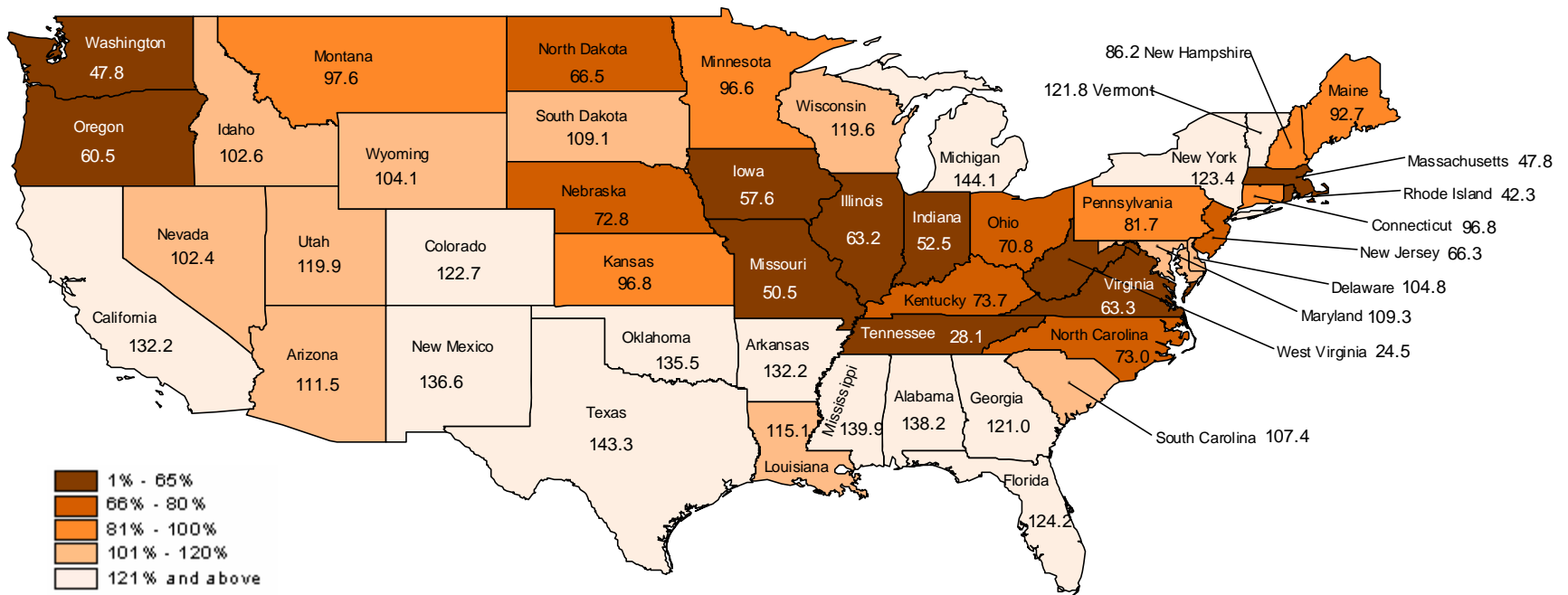
1999 Net Farm Income and Government Payments



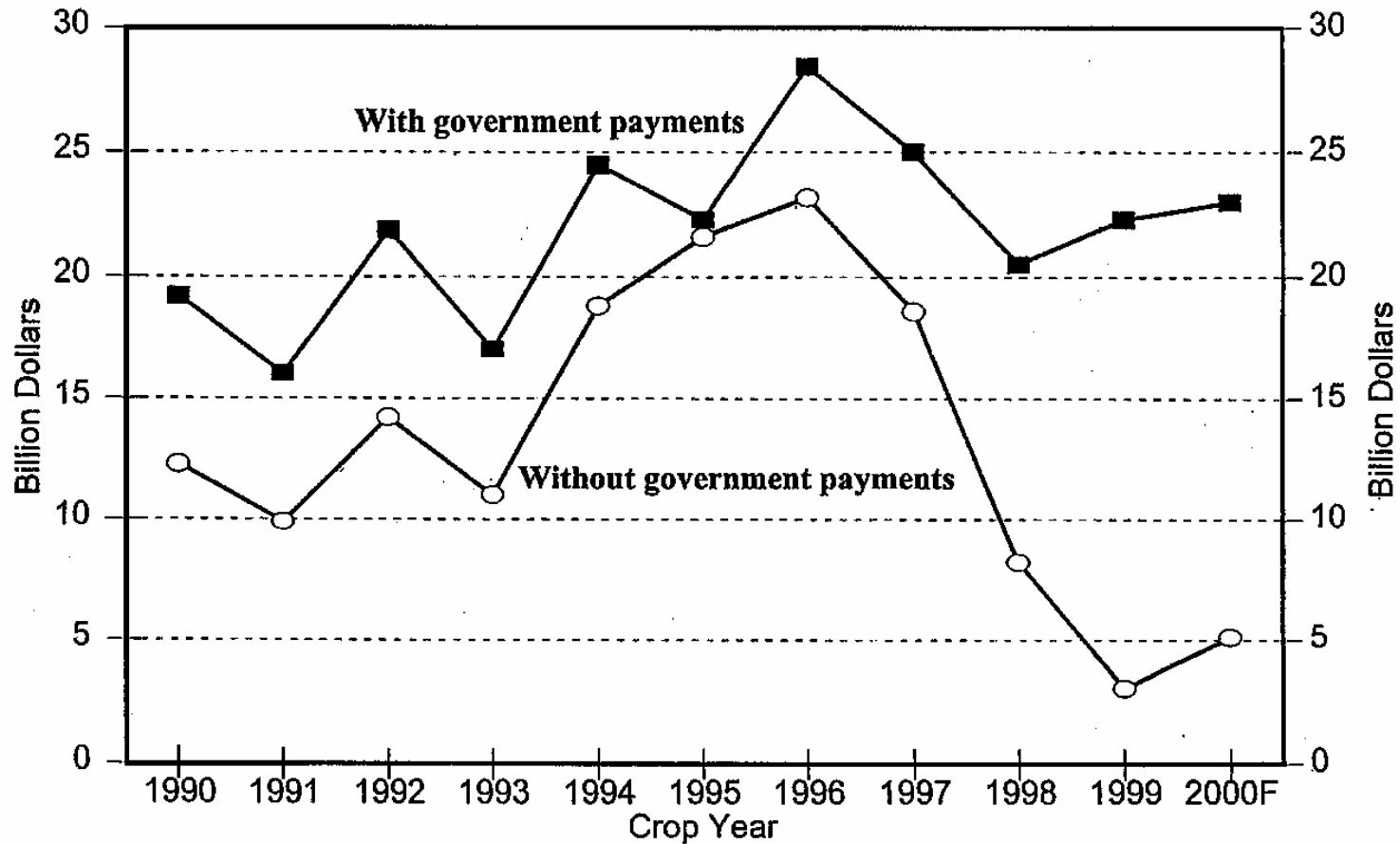
1999 Government Payments as a Percent of Net Farm Income



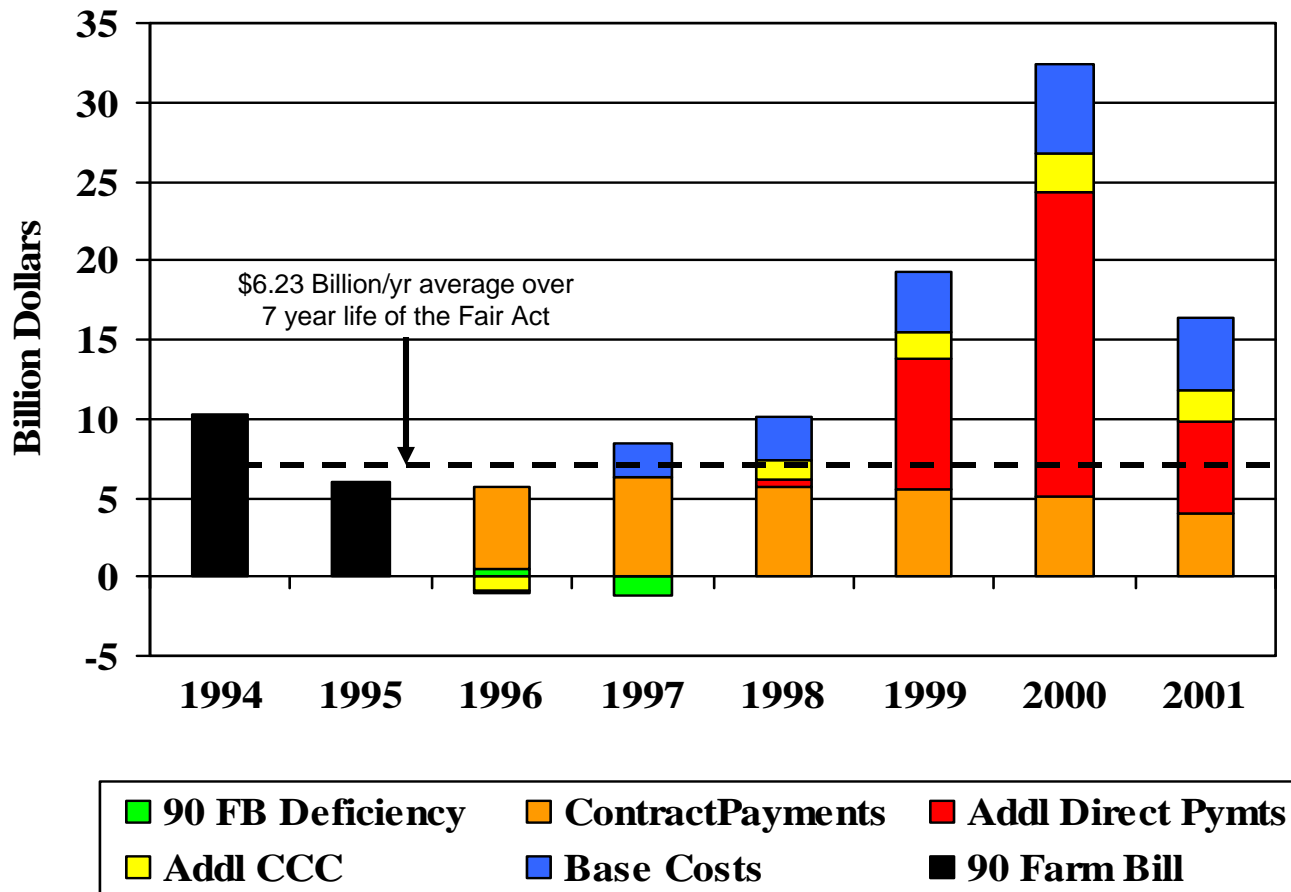
1999 Net Farm Income as a Percent of 1990-1998 Average



Net Cash Income for 8 Major Crops



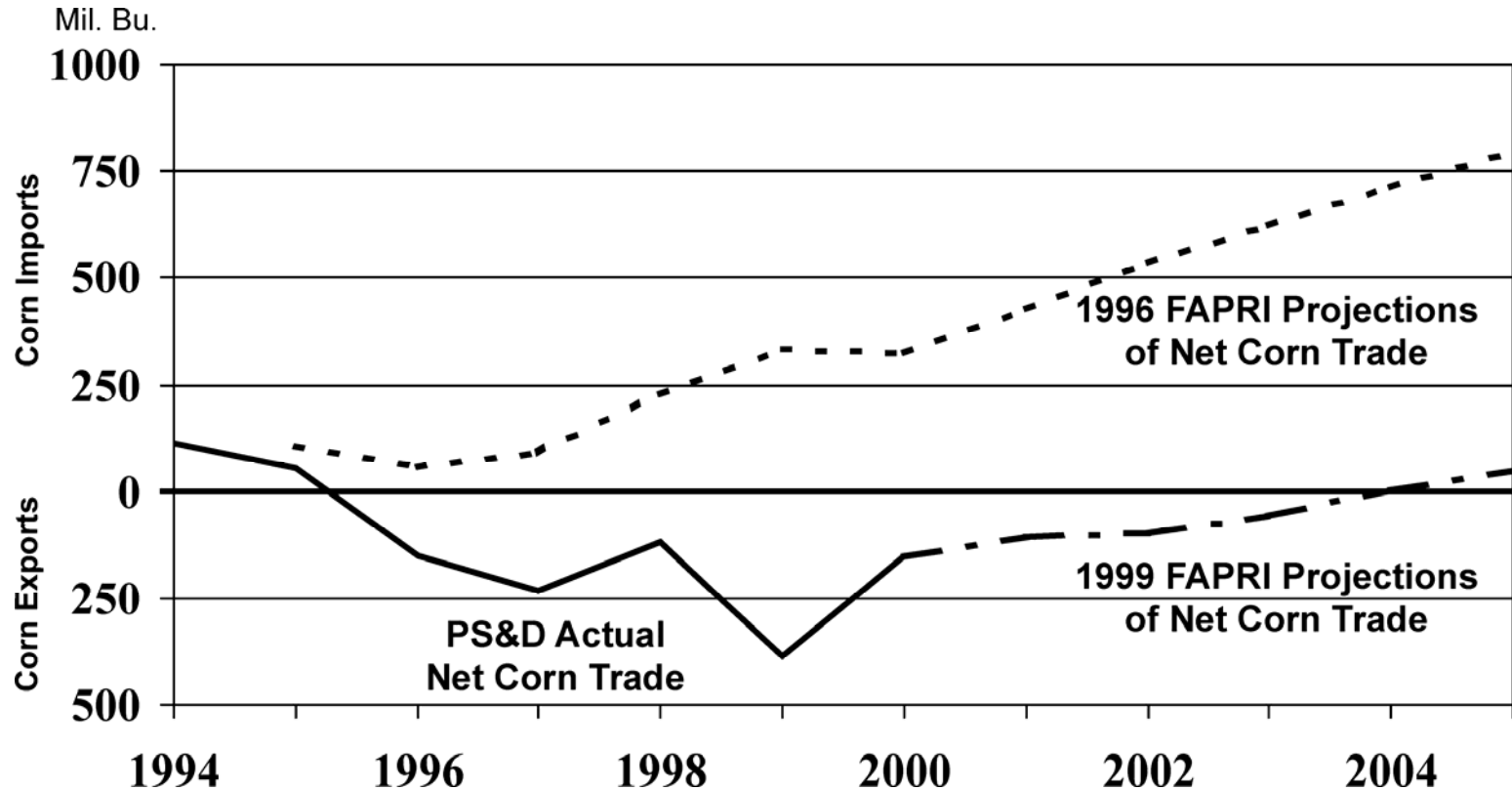
Government Outlays by Source, 1994-2001



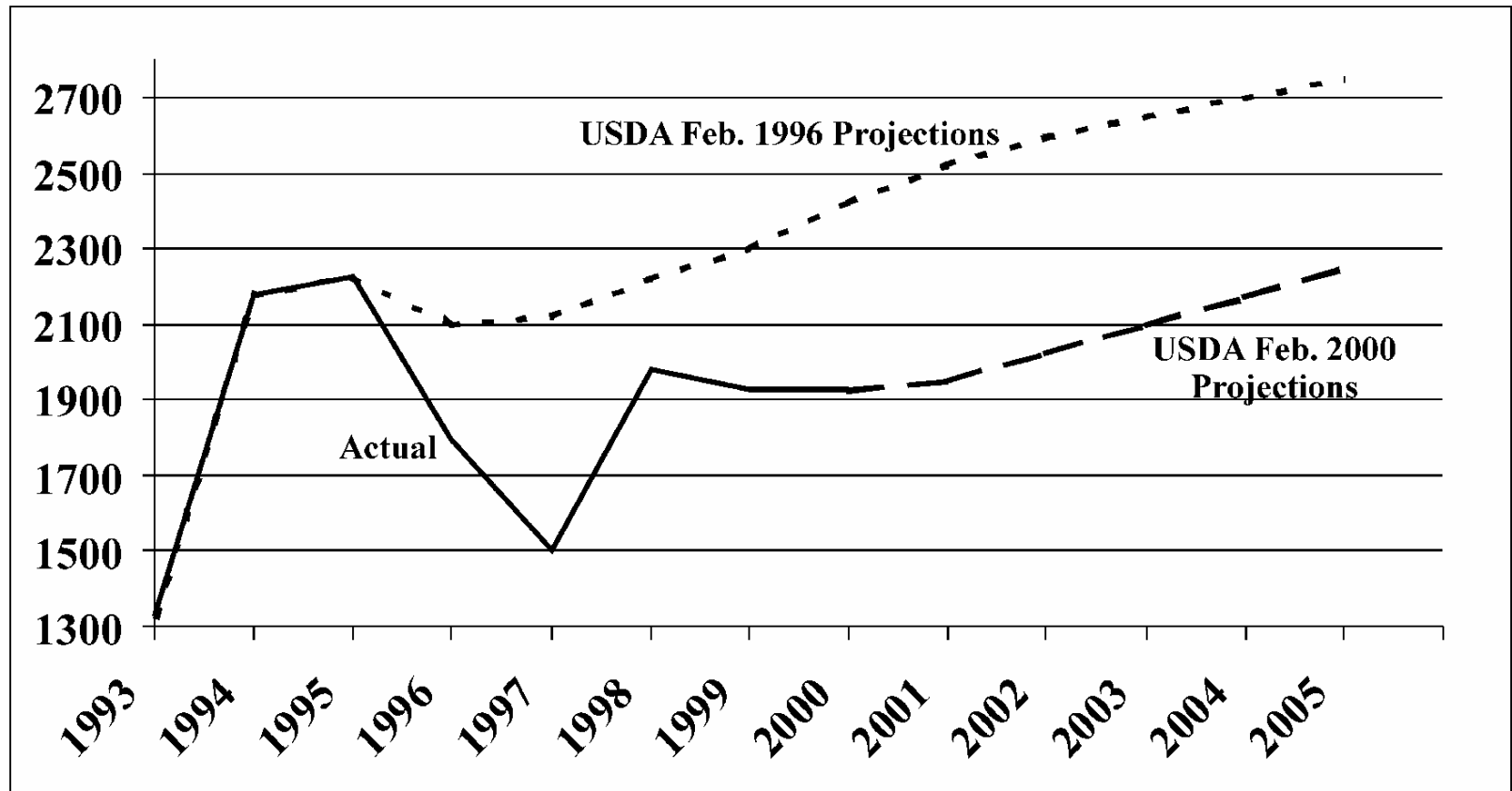
Premises and Expectations

- Sustained rapid growth in crop exports

Net Corn Trade for China: Actual and Projections, 1994-2005



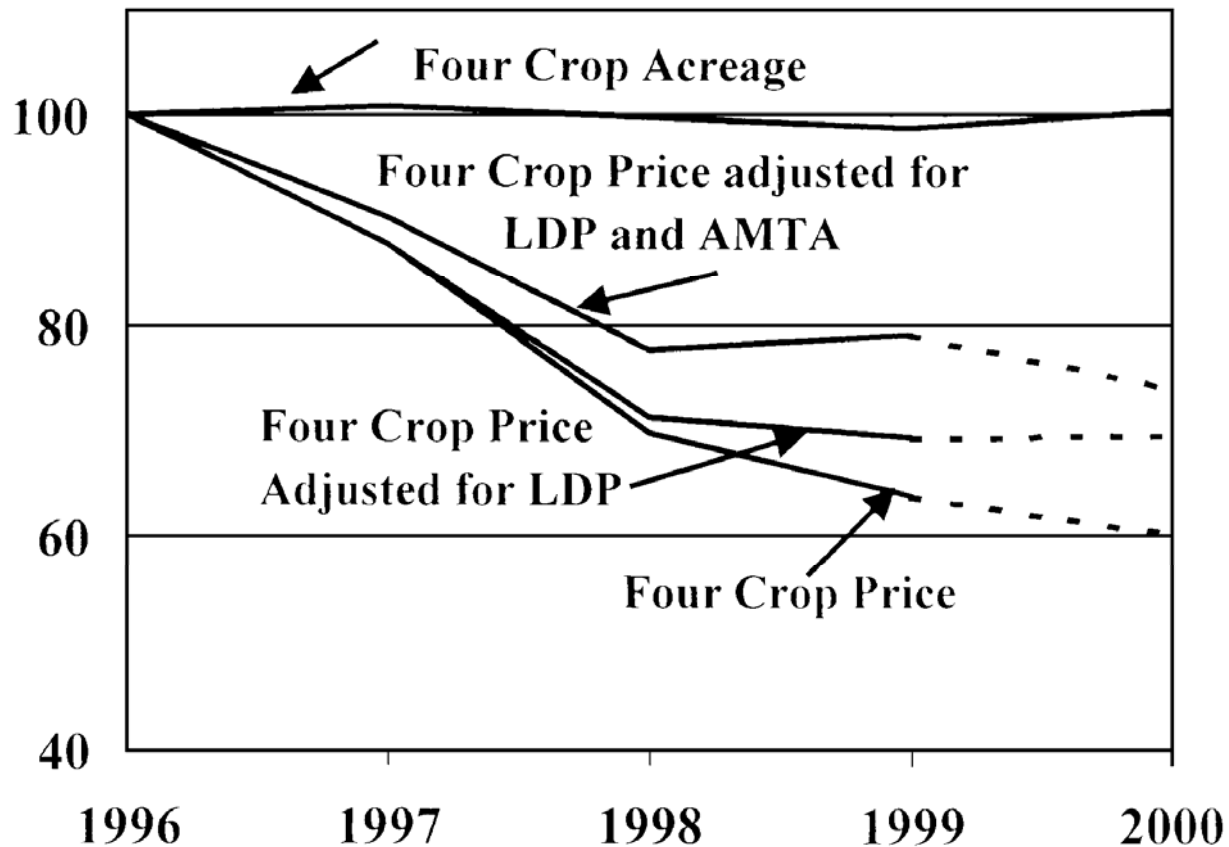
U.S. Corn Exports: Actual and Projections, 1993-2005



Premises and Expectations

- Sustained rapid growth in crop exports
- Price responsiveness
 - Supply

Indexed Crop Acreage and Price with Adjustments

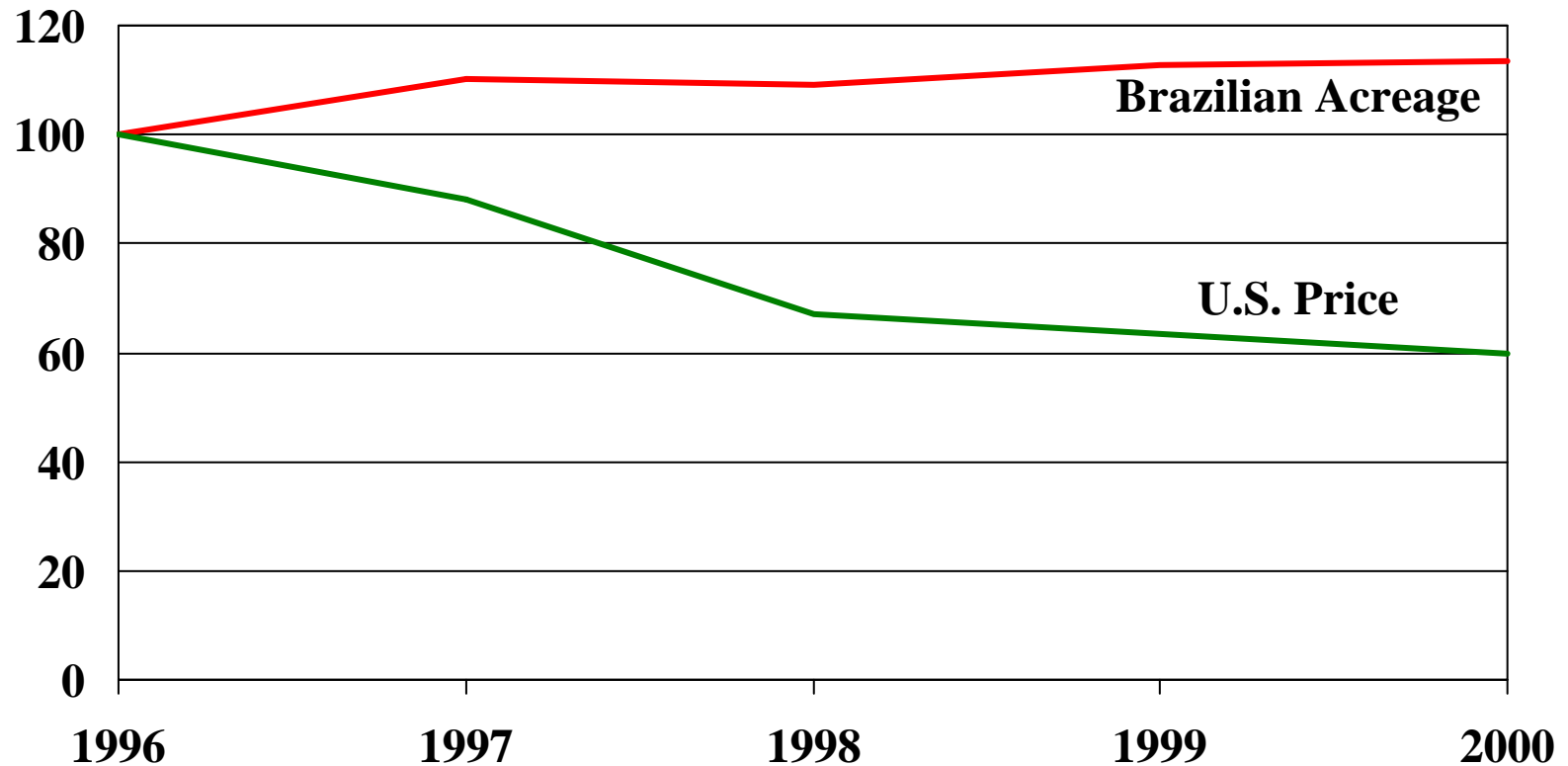


Premises and Expectations

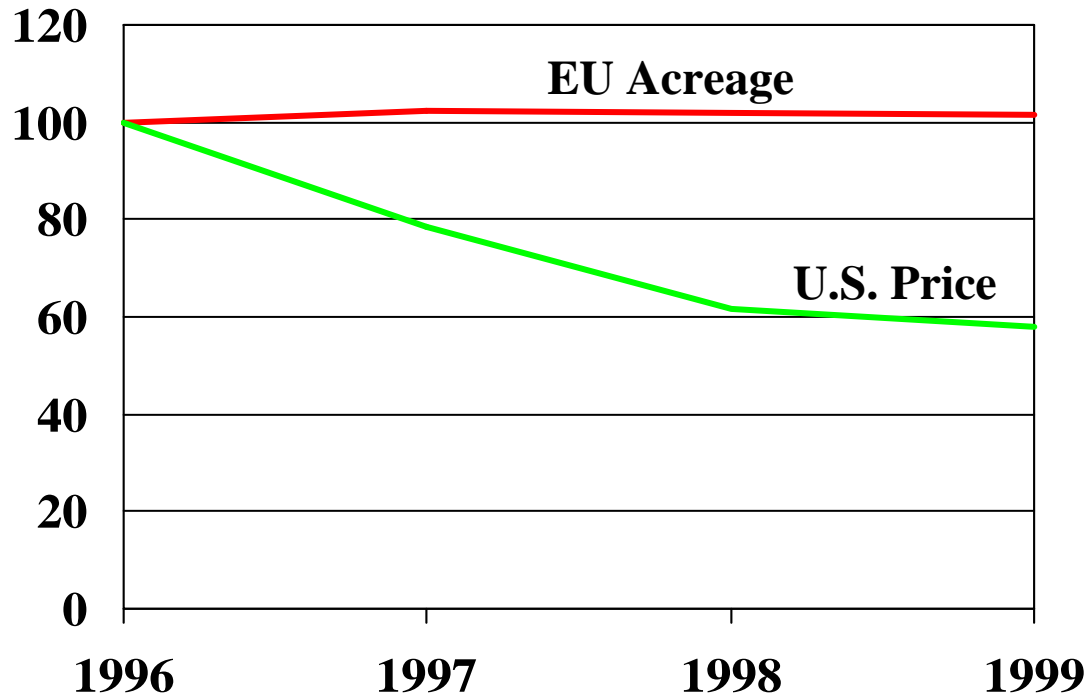
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Brazilian Soybean Acreage and U.S. Price

(1996=100)



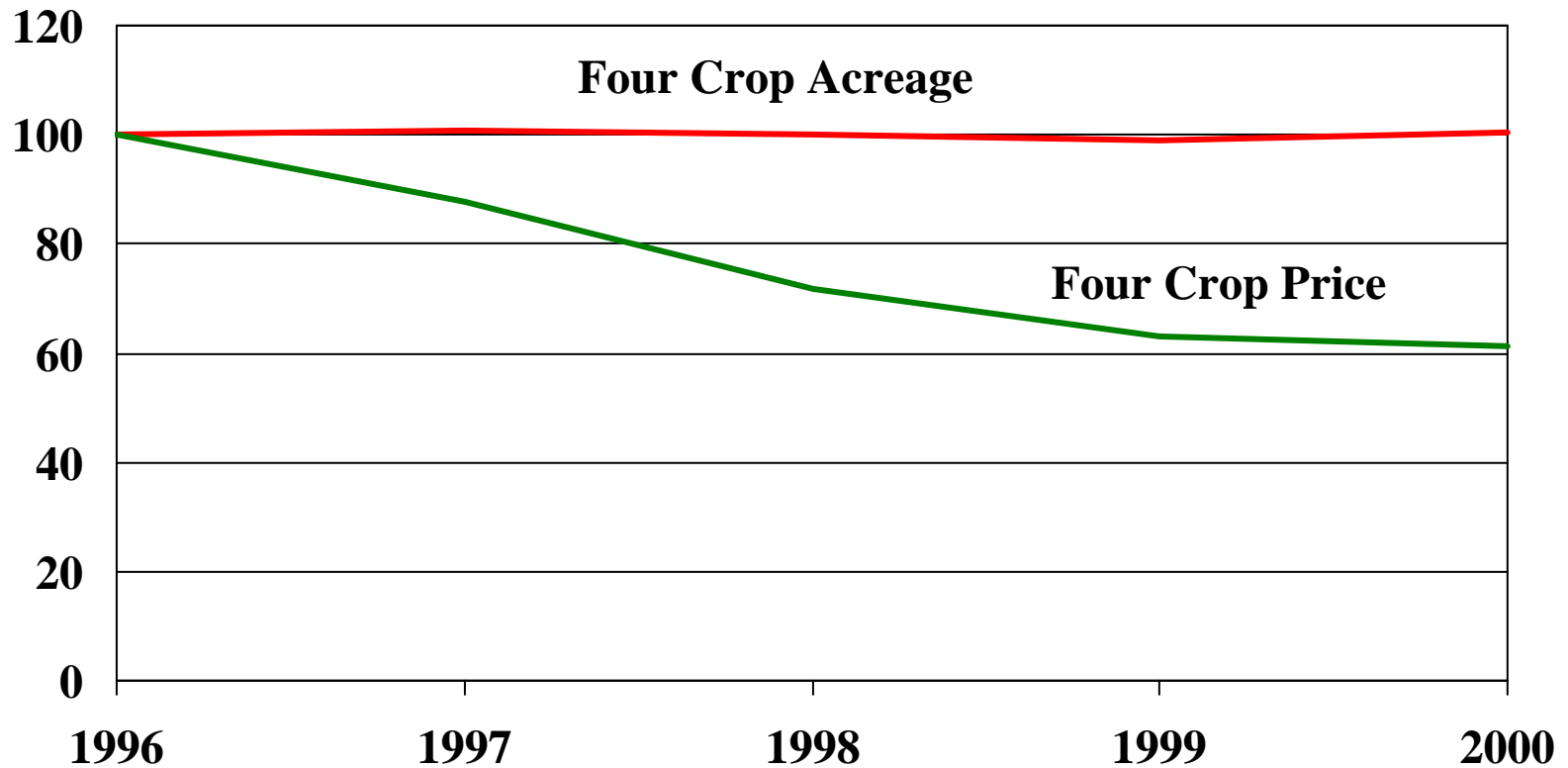
Wheat Area European Union, and U.S. Price (1996=100)



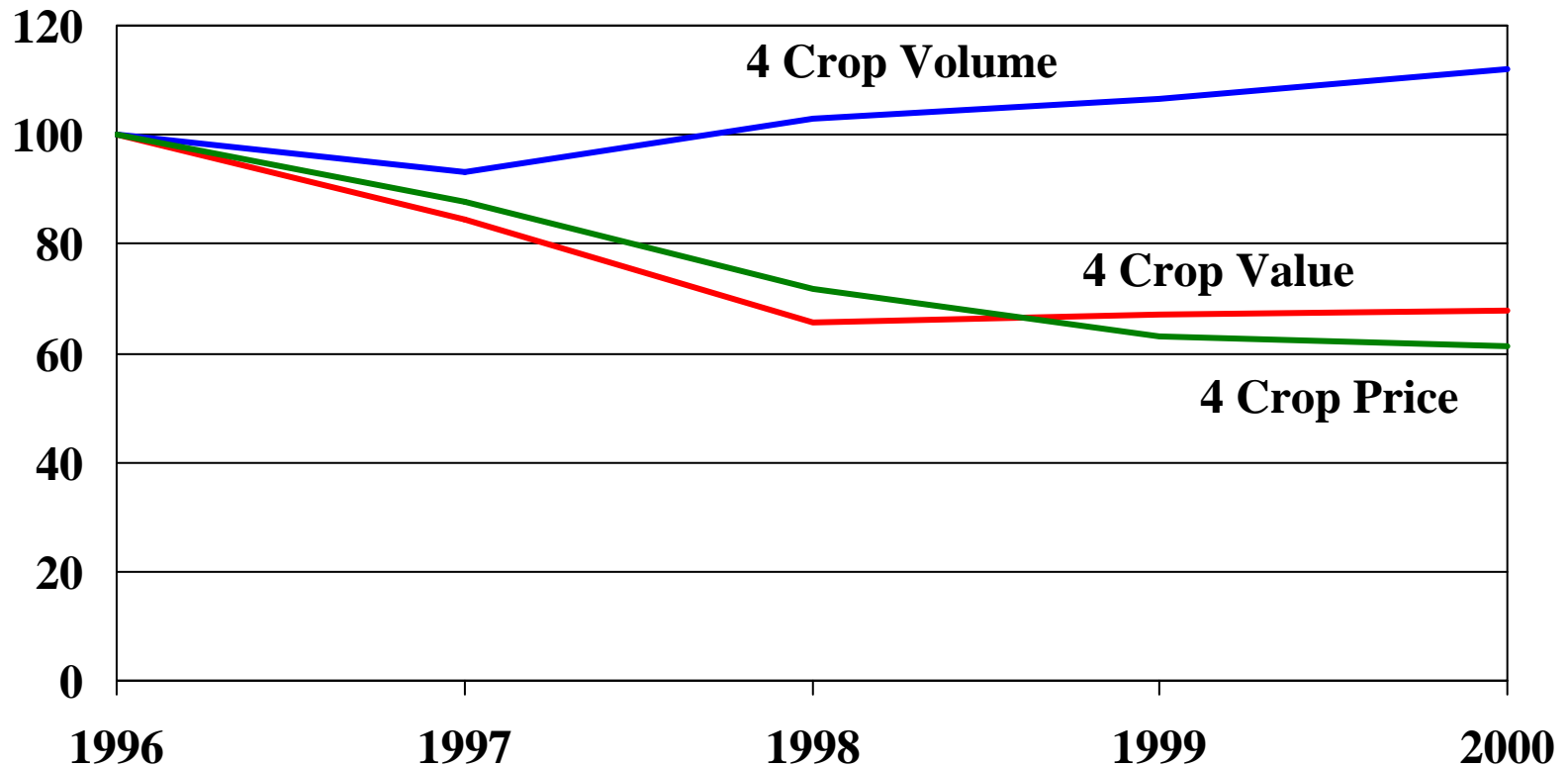
Premises and Expectations

- Sustained rapid growth in crop exports
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 - Supply
 - Demand
- Technology: A supply (and demand) shifter
 - Shifting U.S. supply to right
 - Increasingly over time shifting U.S. export demand to left(?)

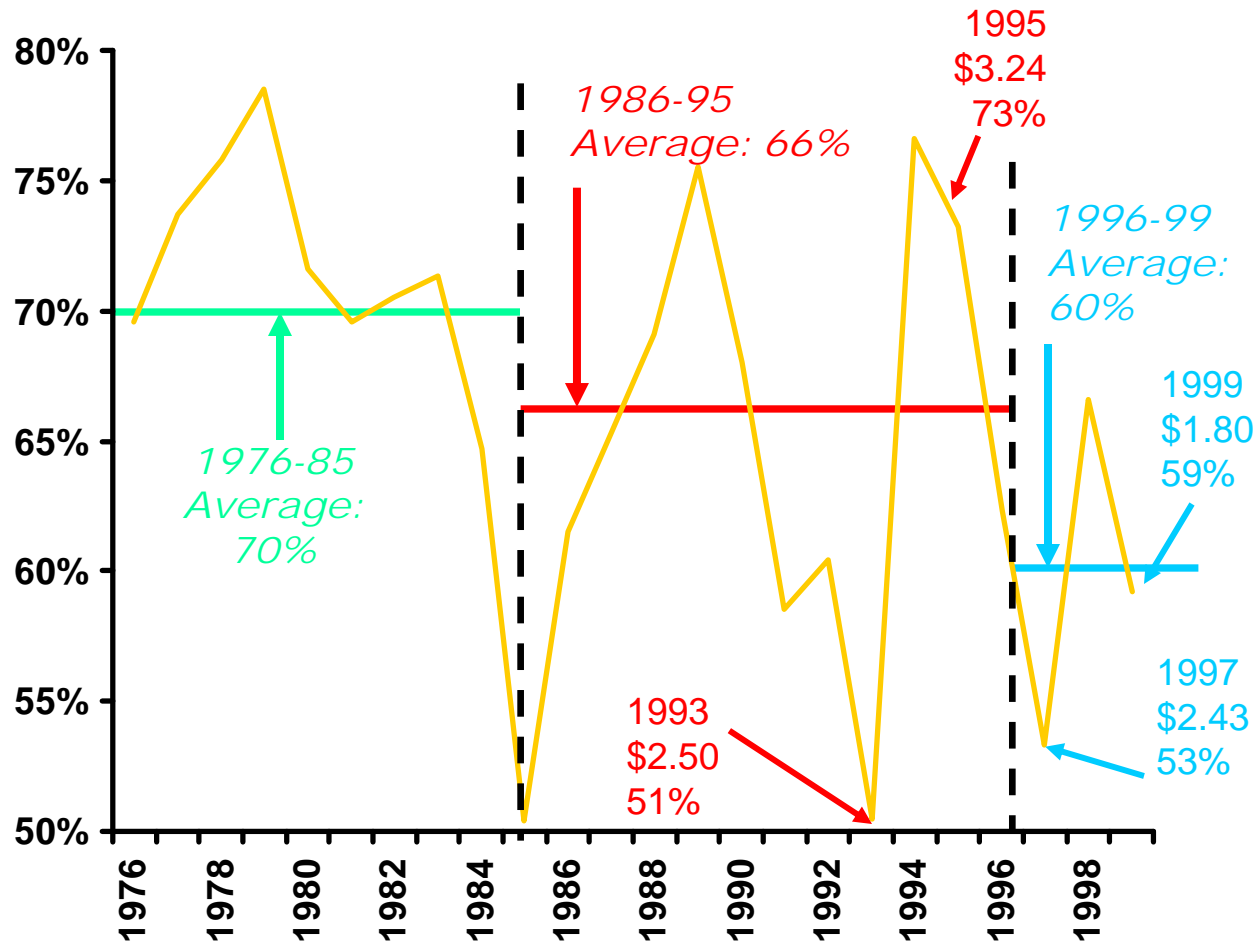
Corn, Cotton, Soybeans and Wheat Acreage and Price (1996=100)



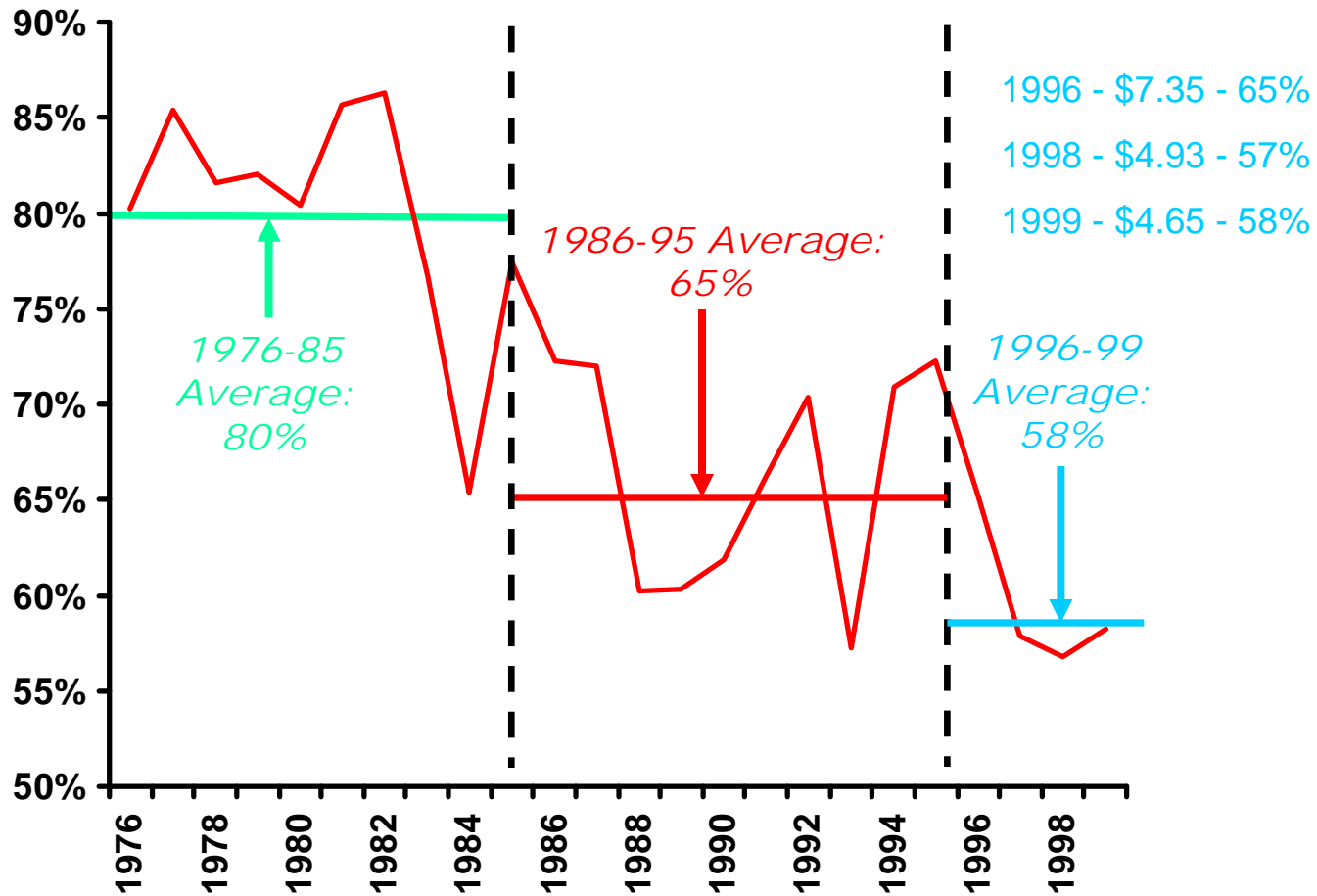
Corn, Cotton, Soybeans and Wheat Export Value, Volume and U.S. Price (1996=100)



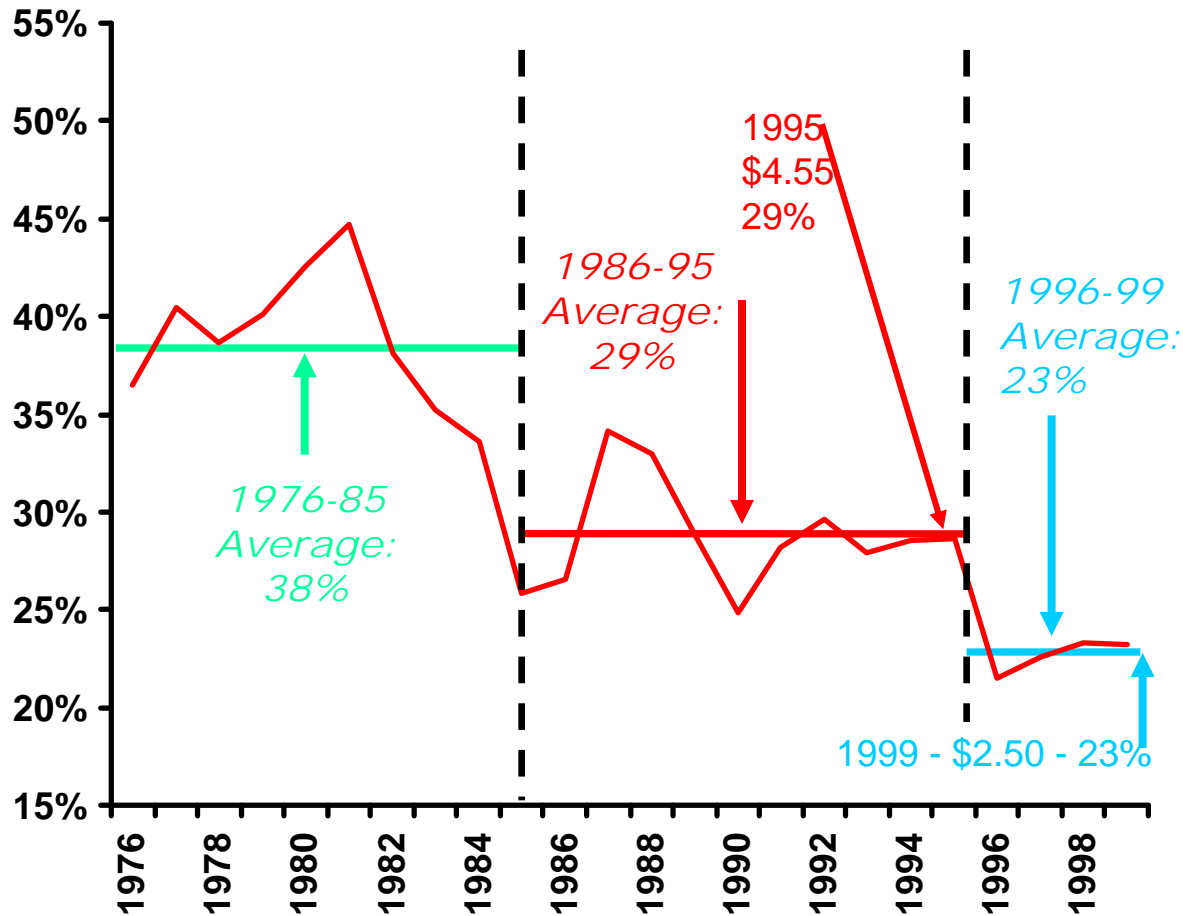
U.S. Share of World Exports



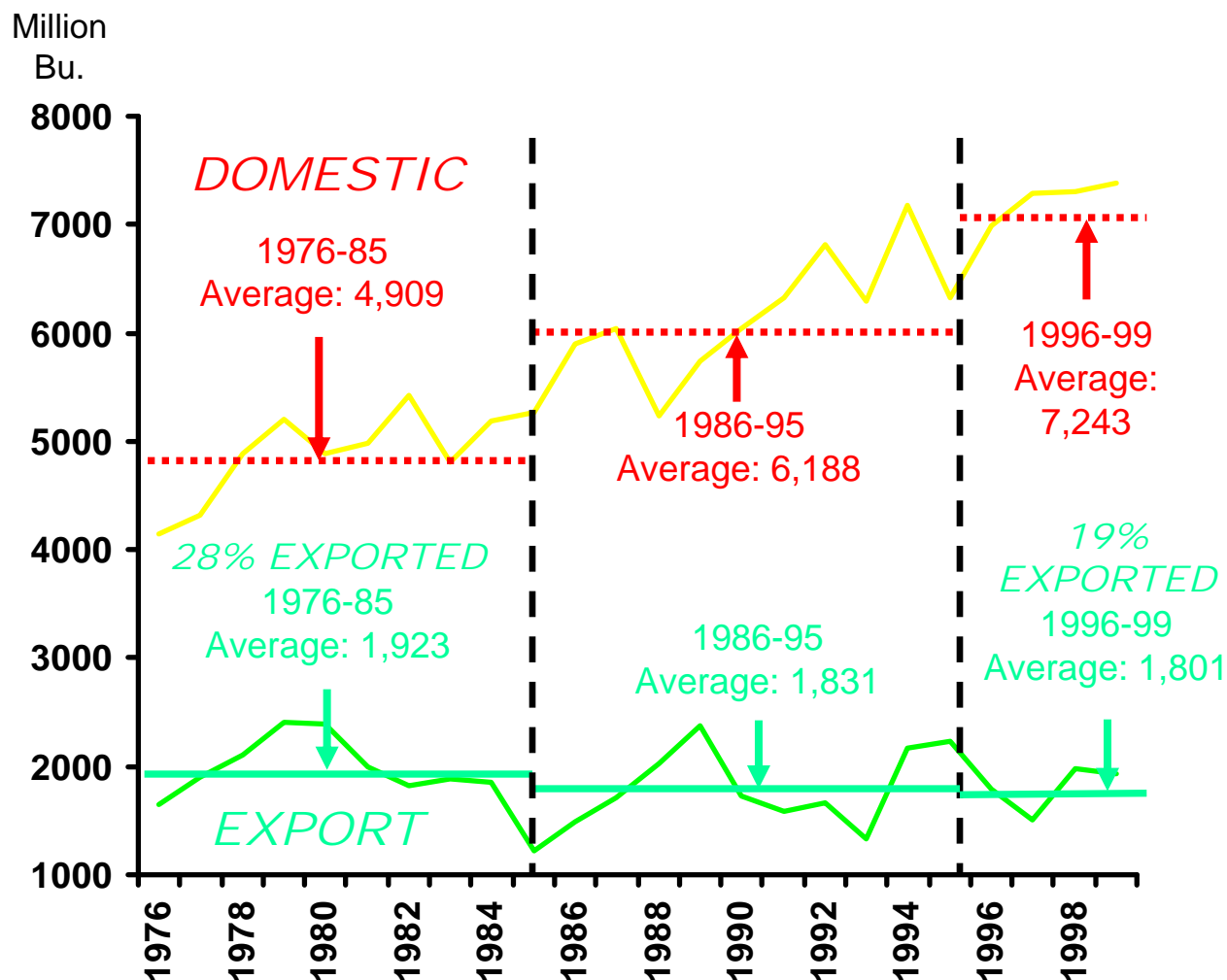
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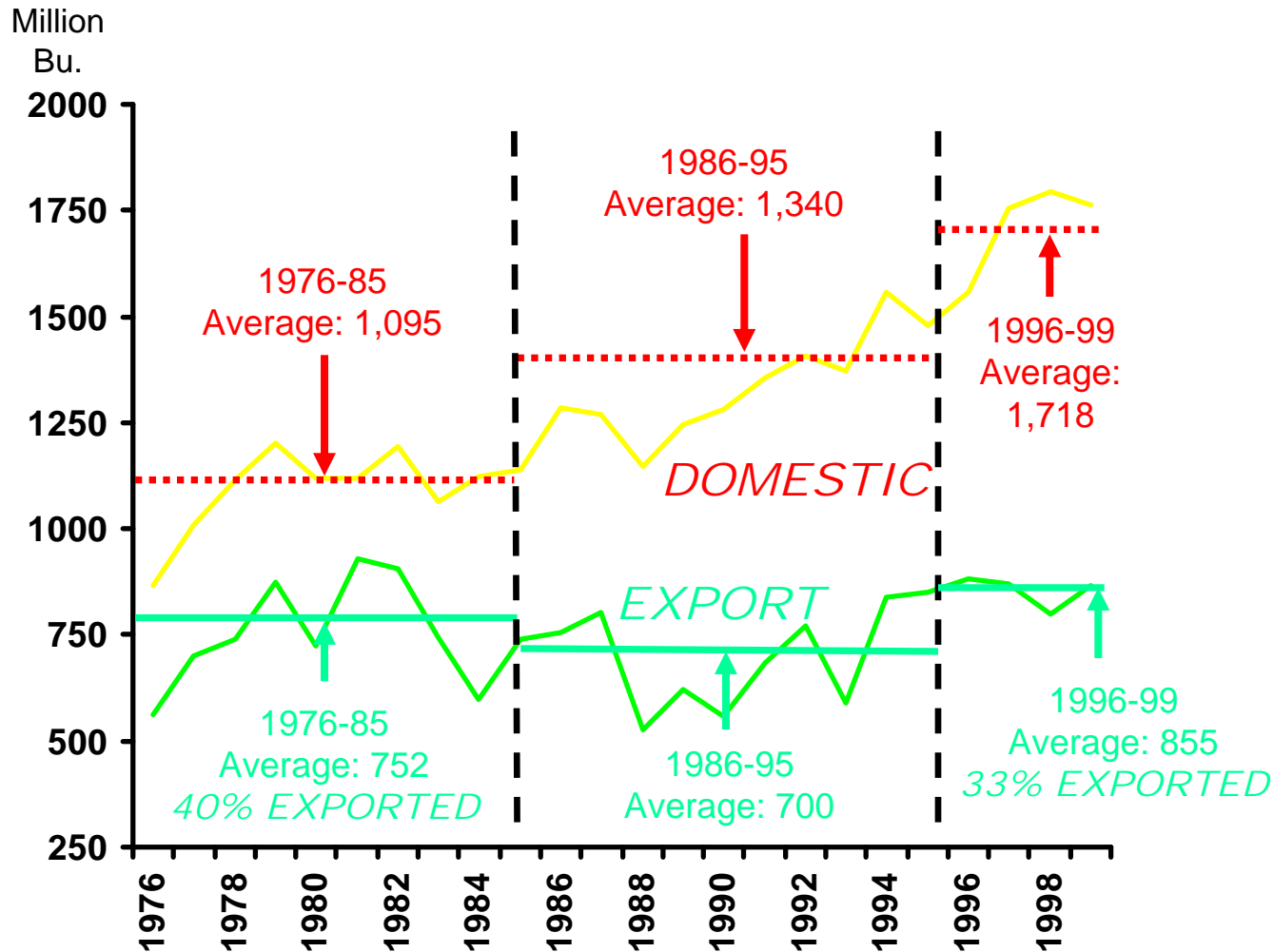
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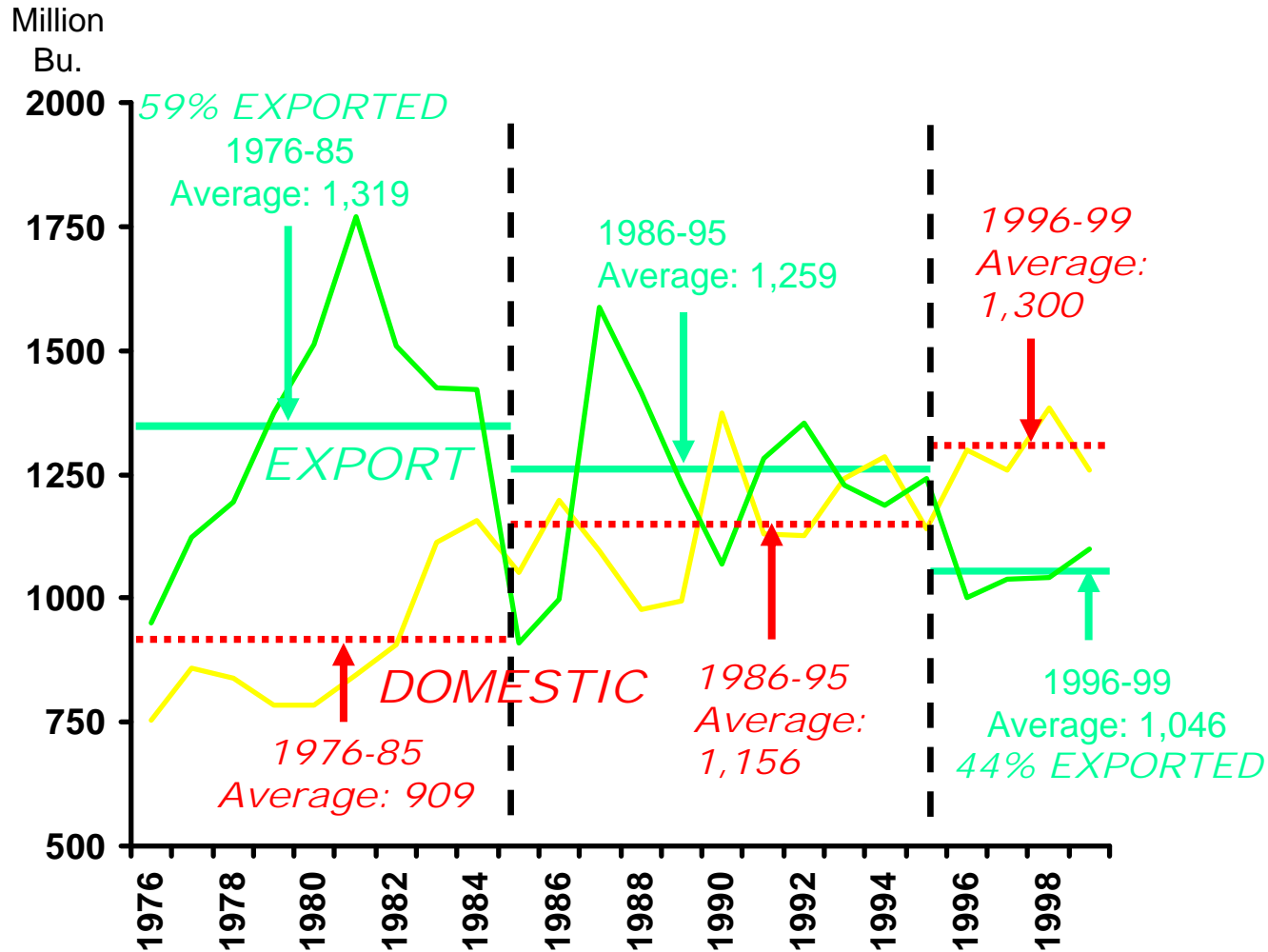
U.S. Domestic and Export Demand



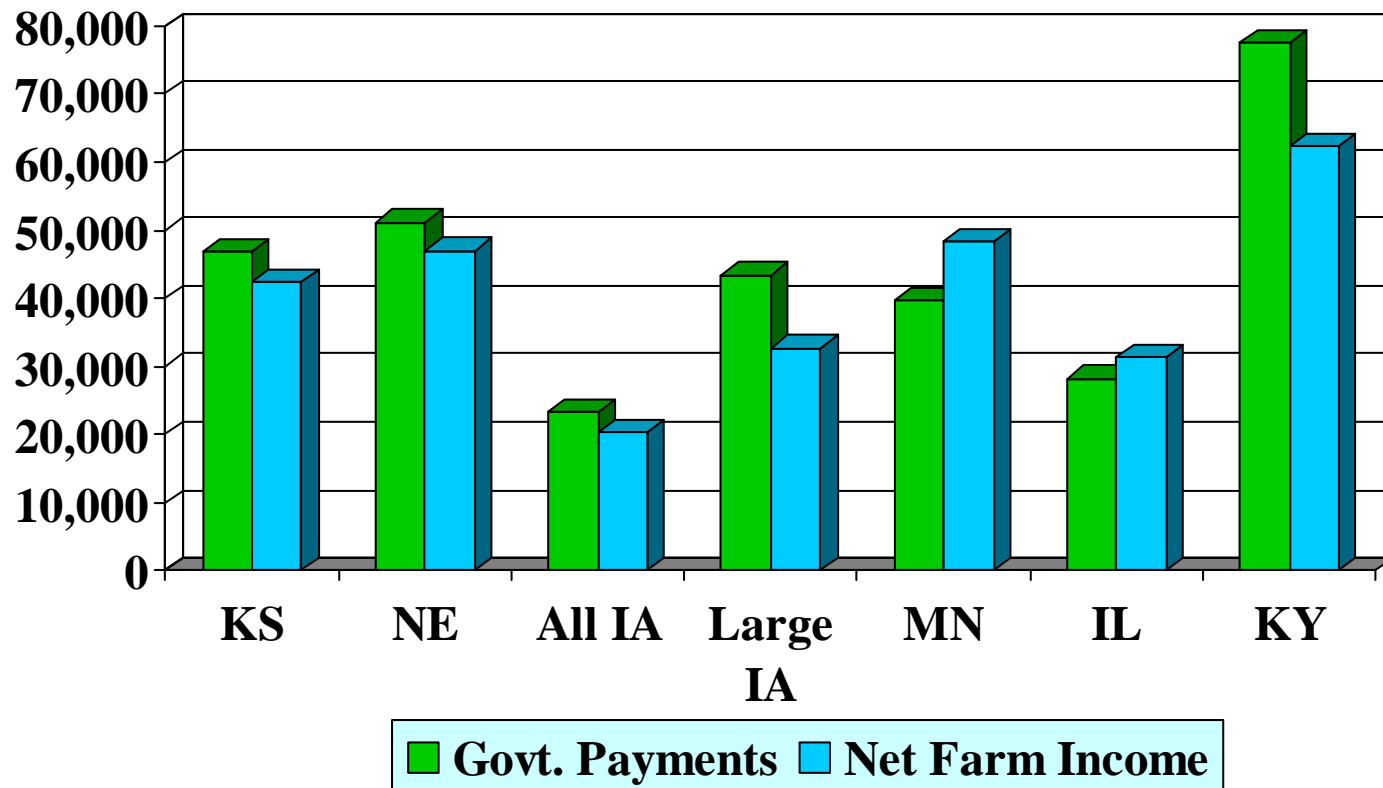
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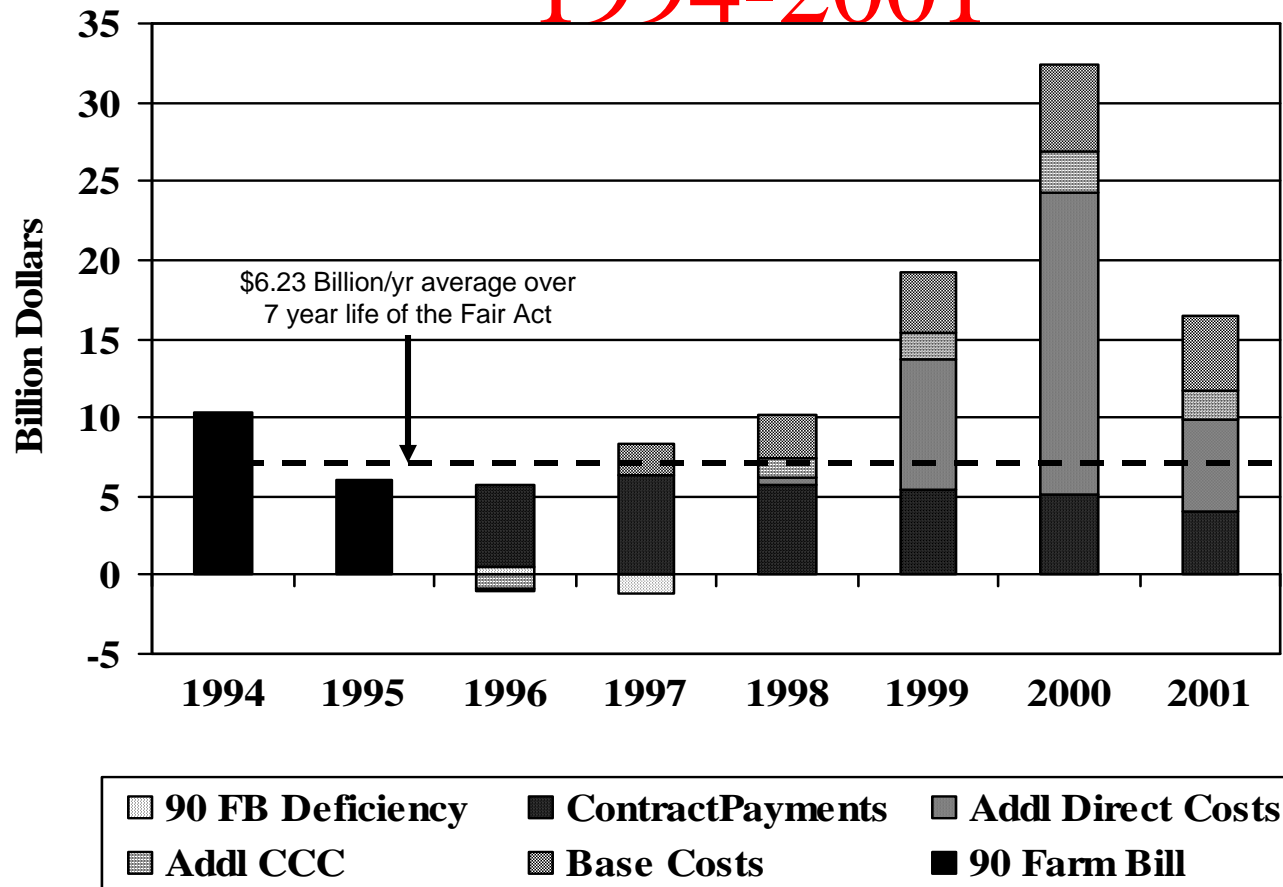
U.S. Share of World Exports



1999 Net Farm Income and Government Payments



Government Outlays by Source, 1994-2001



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