

Economic Climate for the Farm Bill Debate

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Fixing the Farm Bill

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National Press Club

**Agricultural Policy Analysis Center - Institute of Agriculture
The University of Tennessee**

Introduction

- One of the Best of Times—During Debate of 1996 Farm Bill
- One of the Worst of Times—During the Term of the 1996 Bill
- Are Crop Price and Income Problems Short-Term or Long-Term?
- Commission on 21st Century Report

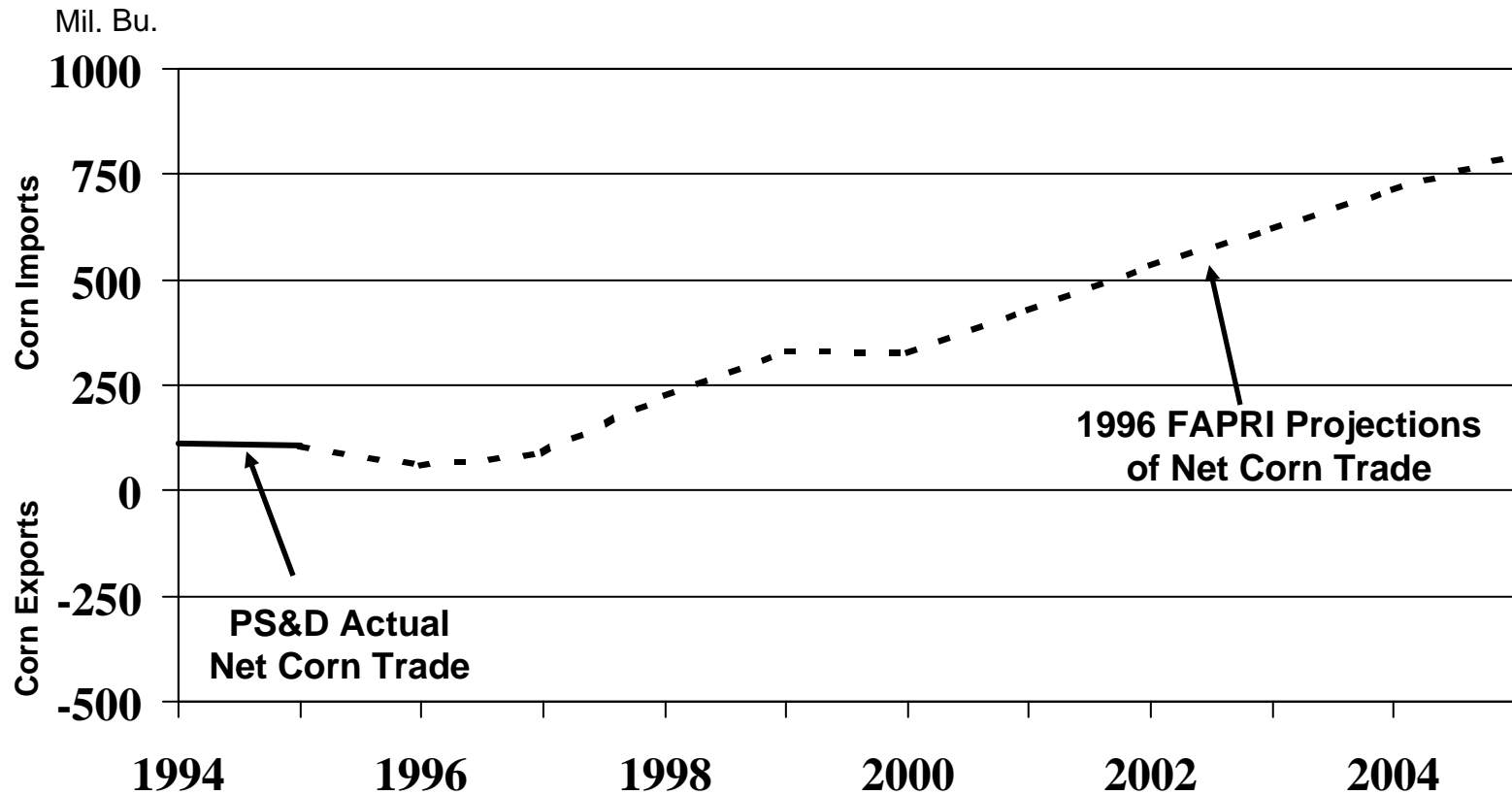
Prices peak before first crop year of 1996 Farm Bill



Closing weekly futures price for corn
for the nearest contract month

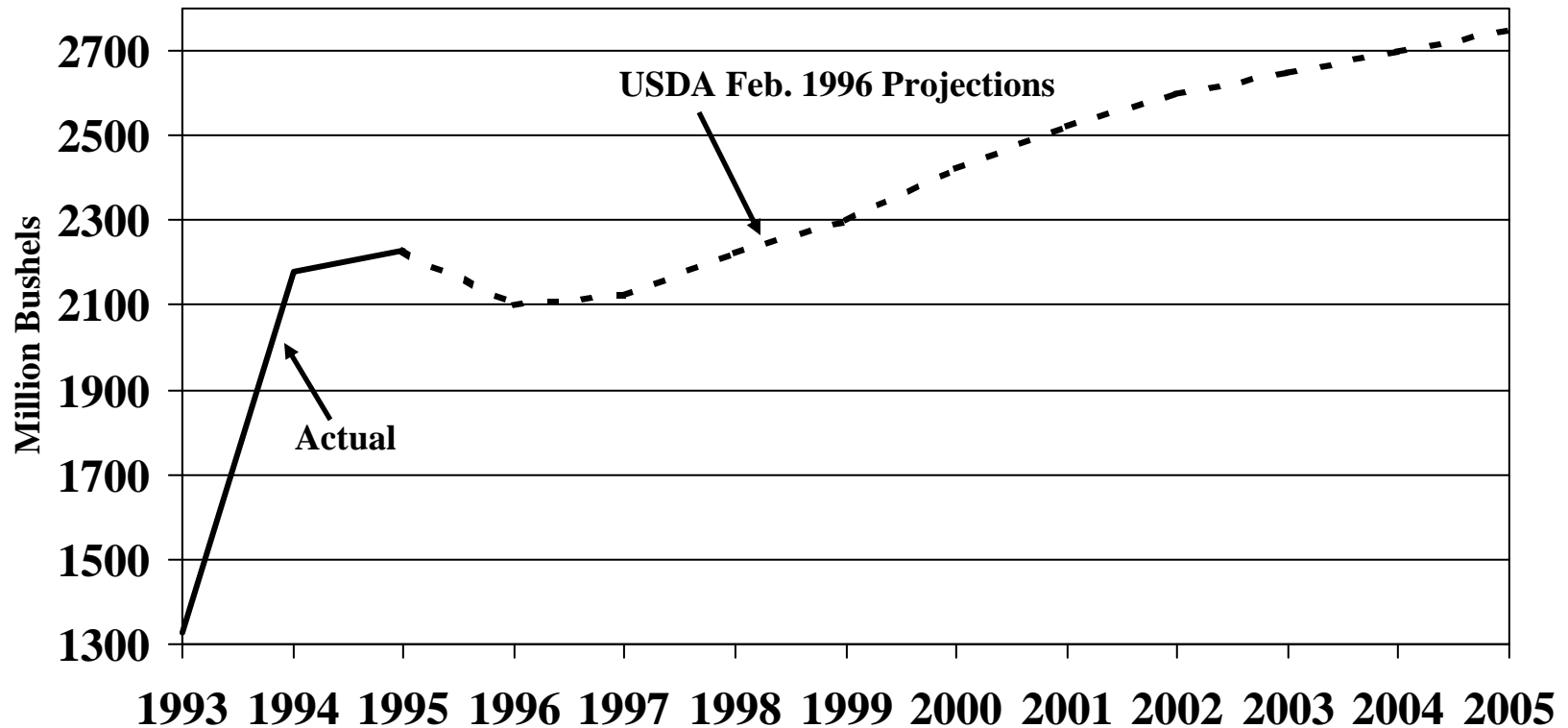
China Net Corn Trade

1994 & 1995 PS&D Actual, and 1996 FAPRI Projections
of China Corn Trade, 1996-2005



Corn Exports and projections 1993-2005

USDA Baseline, Feb 1996



Prices peak before first crop year of 1996 Farm Bill

	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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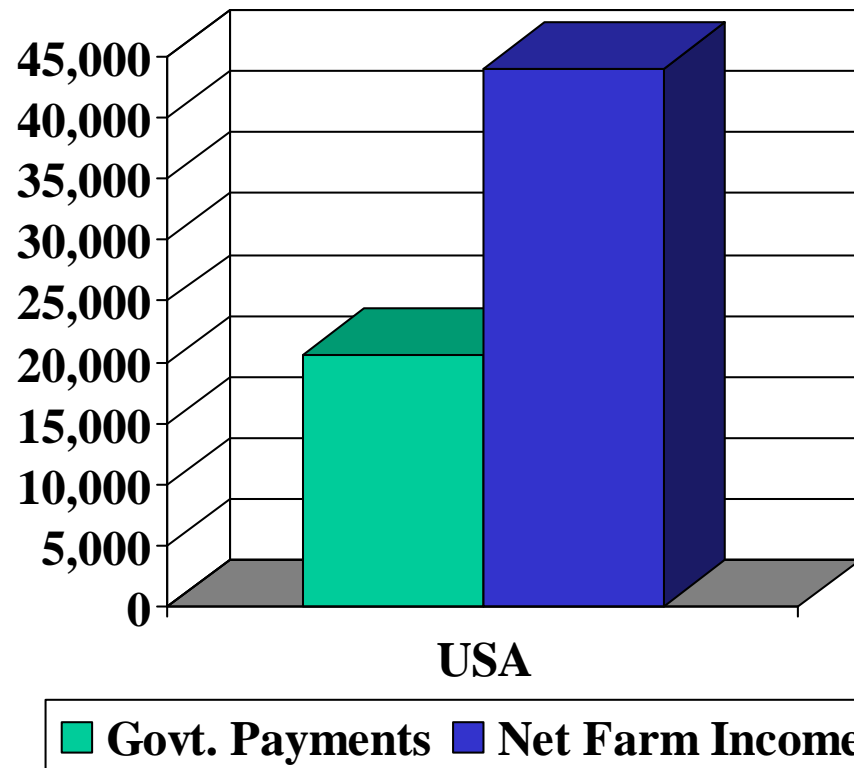
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–Prices began their fall to current levels from the get go

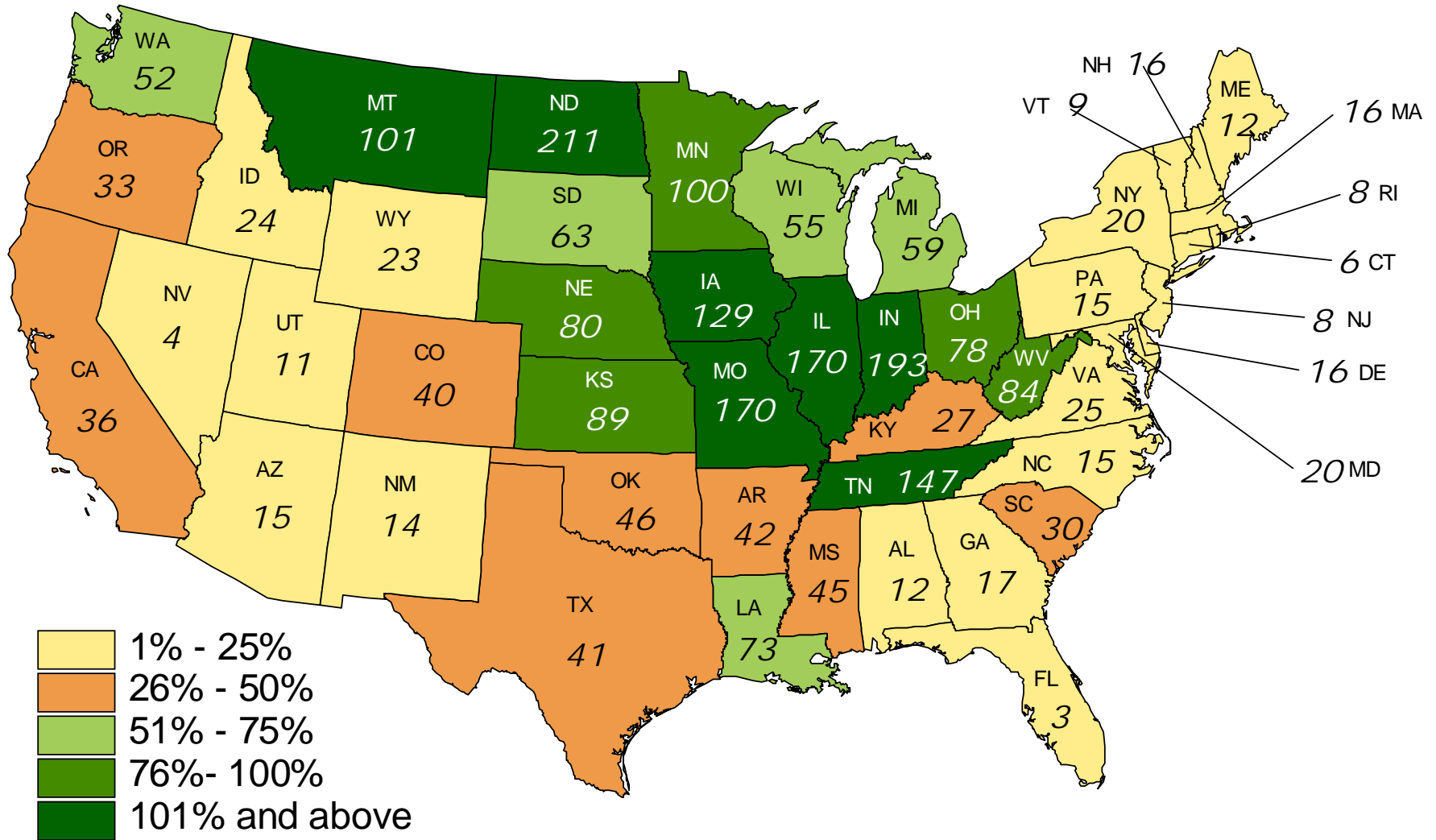
–Exports were down—not strong—the first two years of FB

–Granaries empty when FB began in crop year 1996

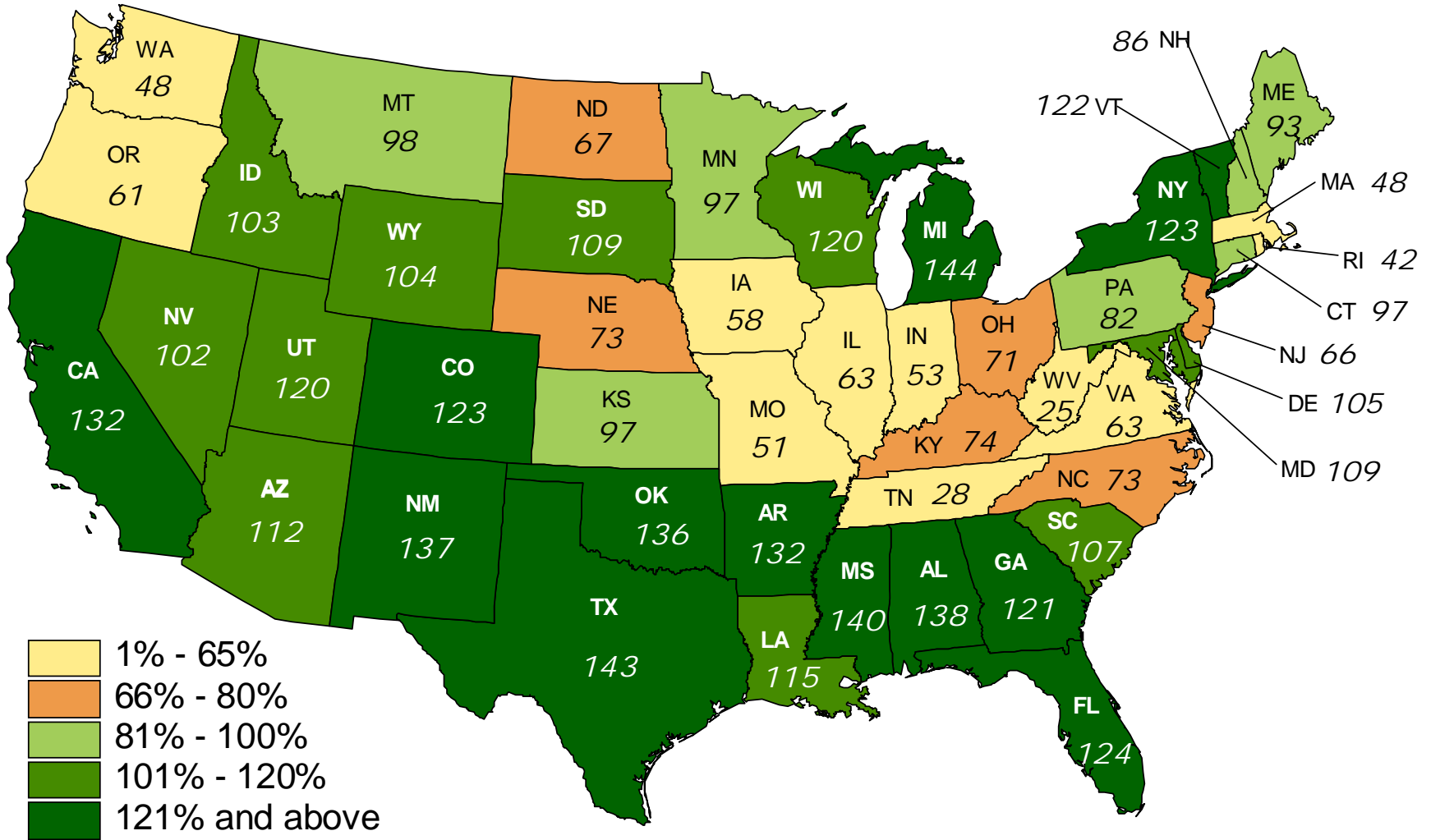
1999 Net Farm Income and Government Payments



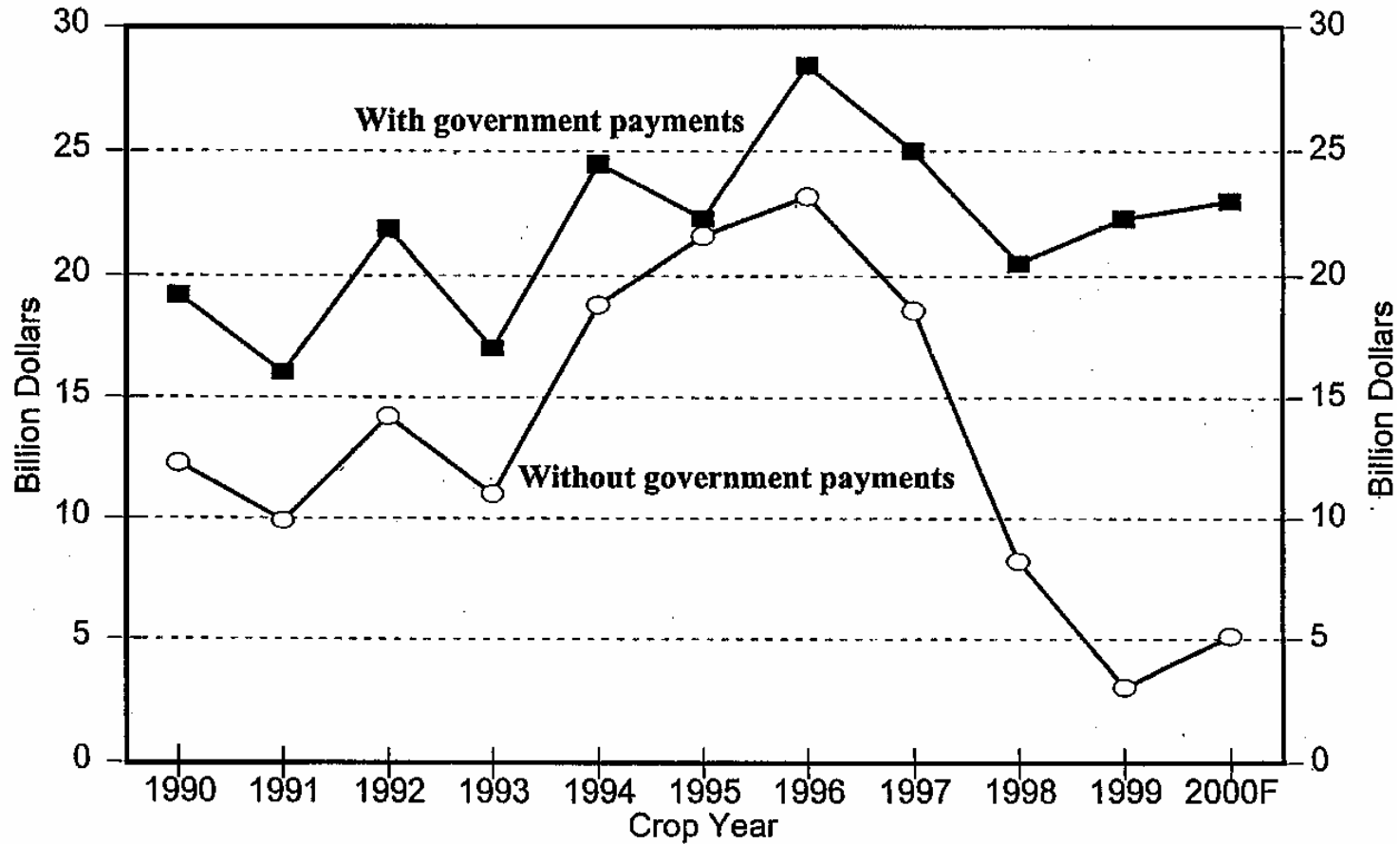
Payments as a % of Net Farm Income



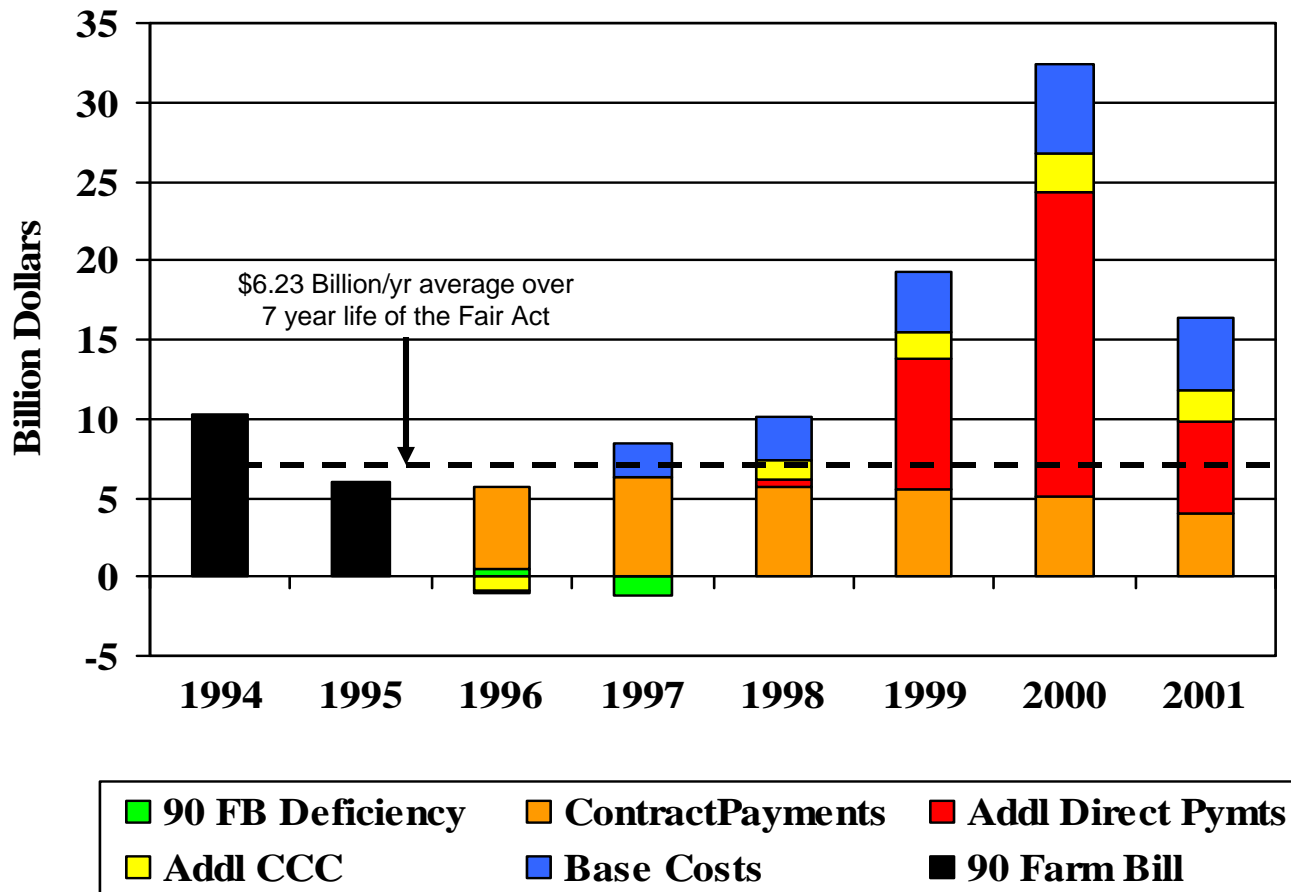
1999 Net Farm Income as a Percent of 1990-1998 Average



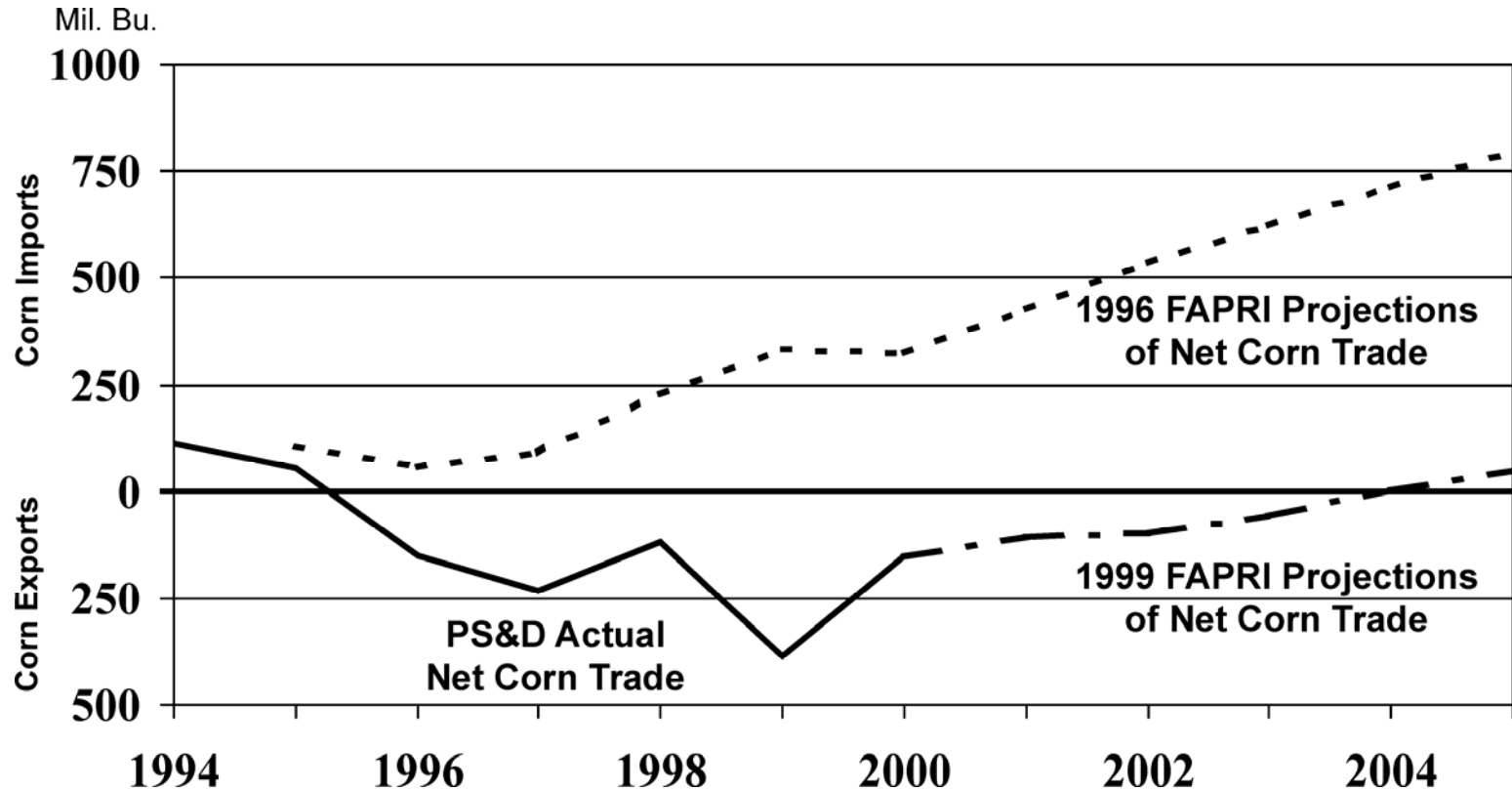
Net Cash Income for 8 Major Crops



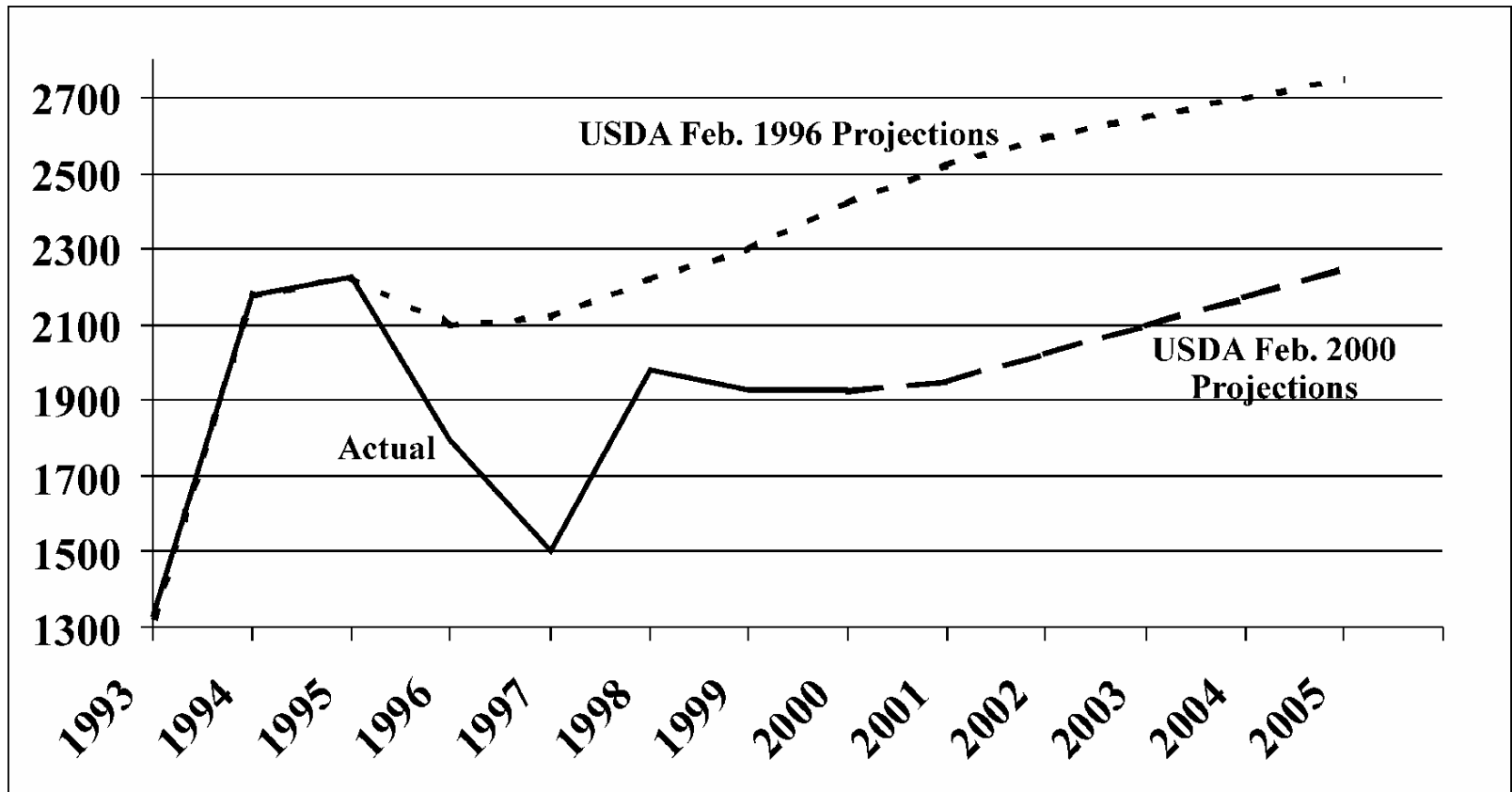
Government Outlays by Source, 1994-2001



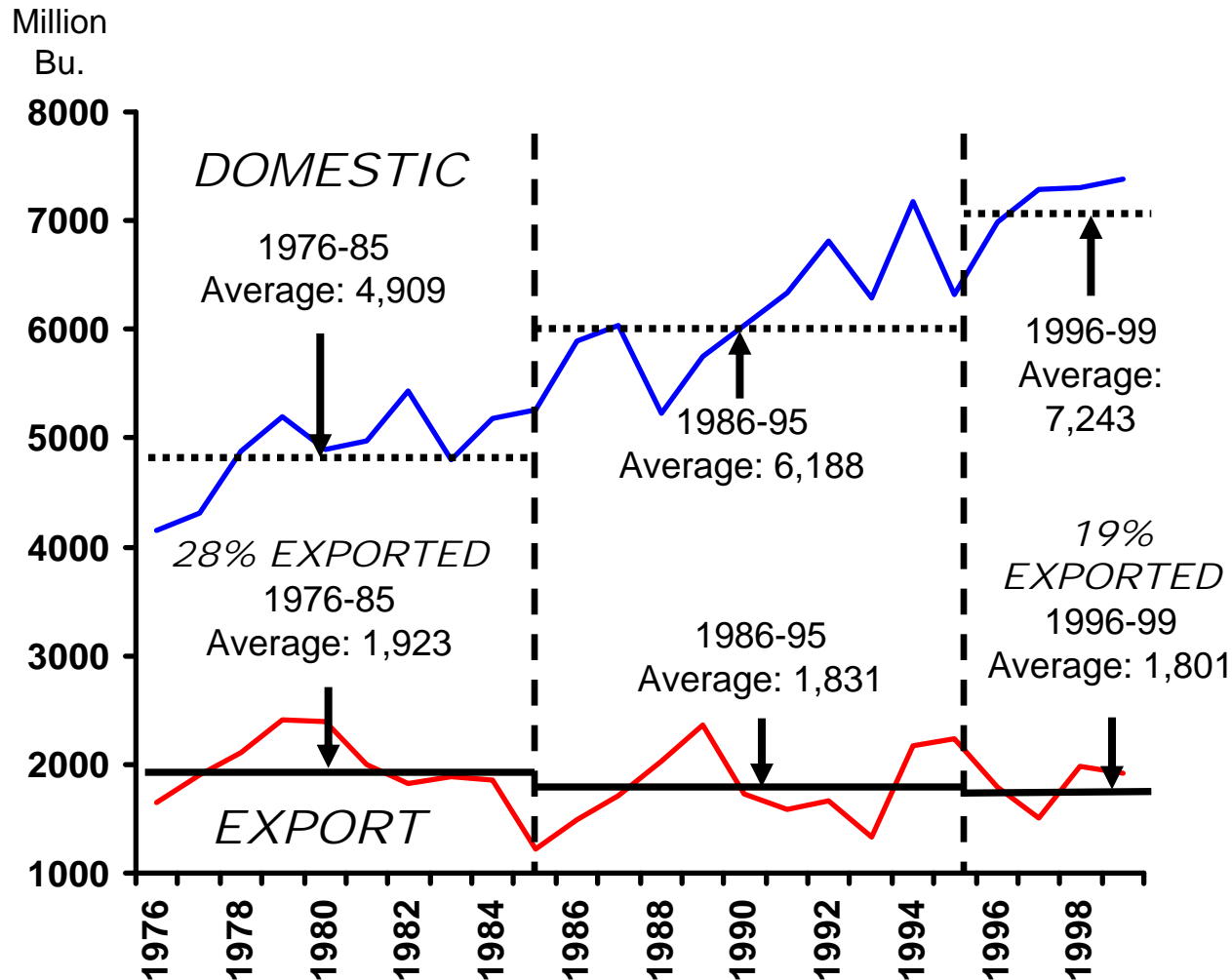
Net Corn Trade for China: Actual and Projections, 1994-2005



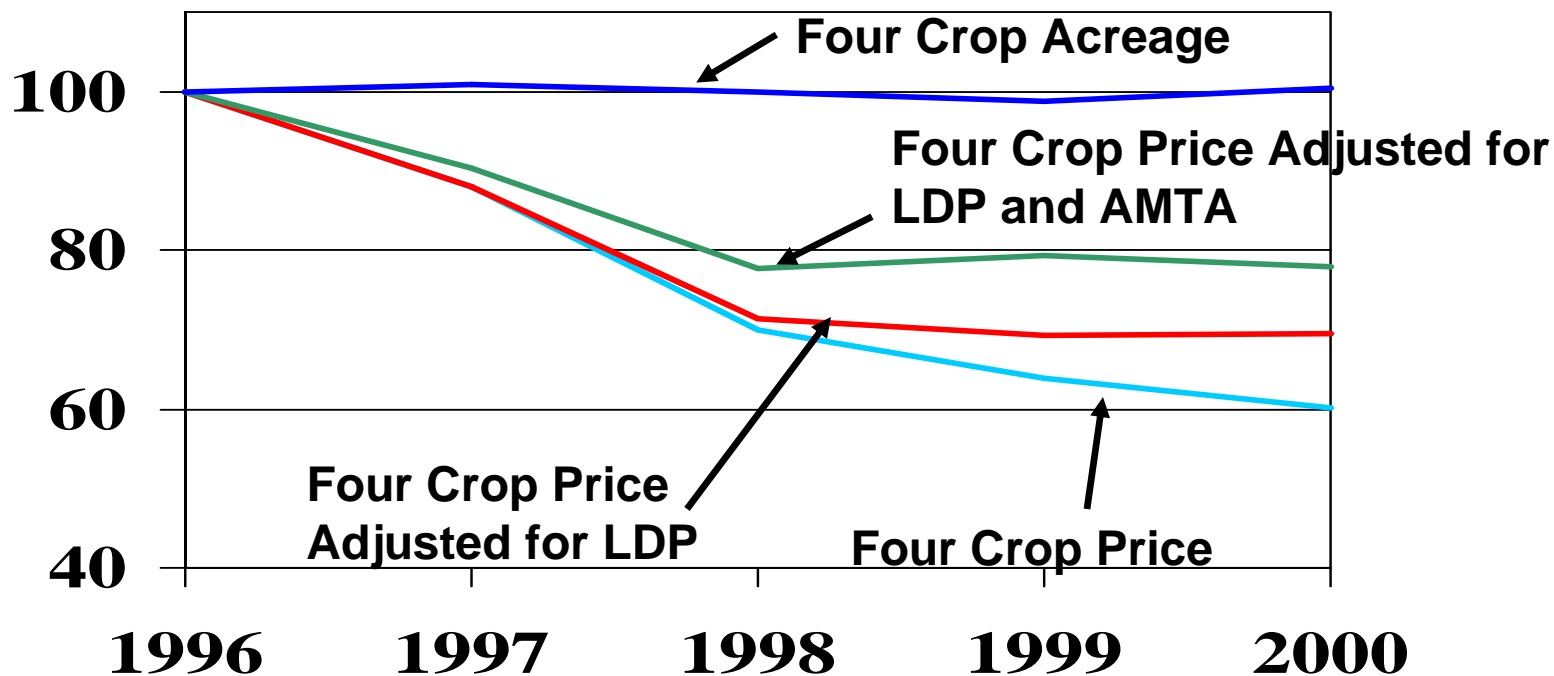
U.S. Corn Exports: Actual and Projections, 1993-2005



U.S. Domestic and Export Demand

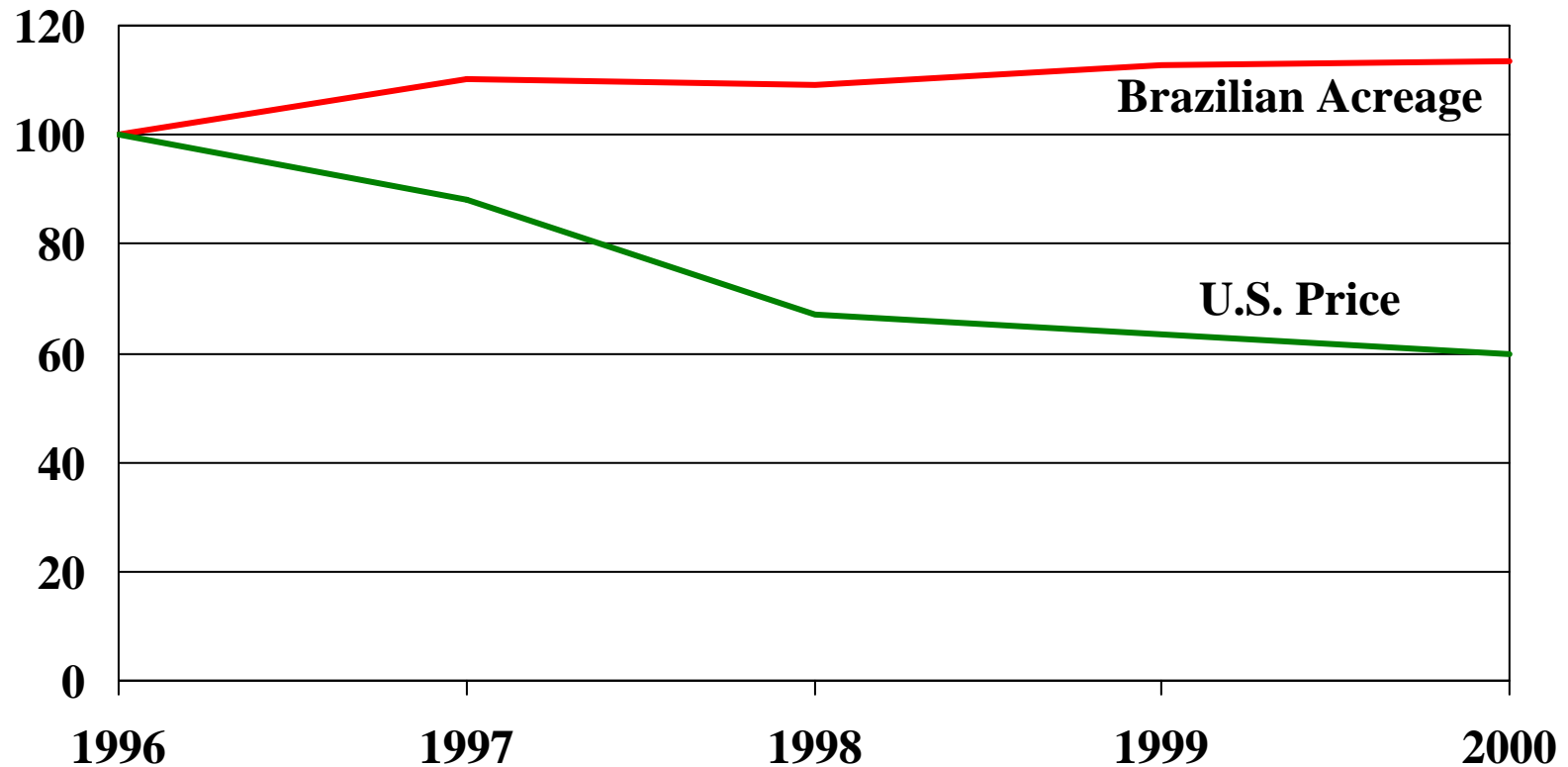


Indexed Four Crop Acreage, Price and Price Adjusted for LDP and Contract Payments

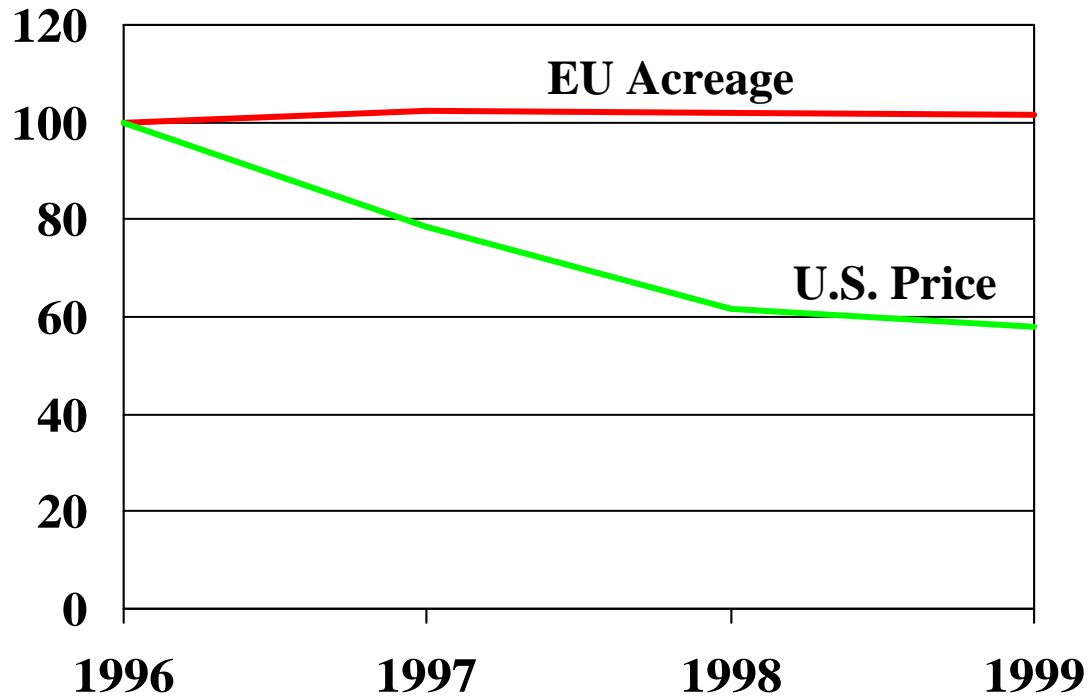


Brazilian Soybean Acreage and U.S. Price

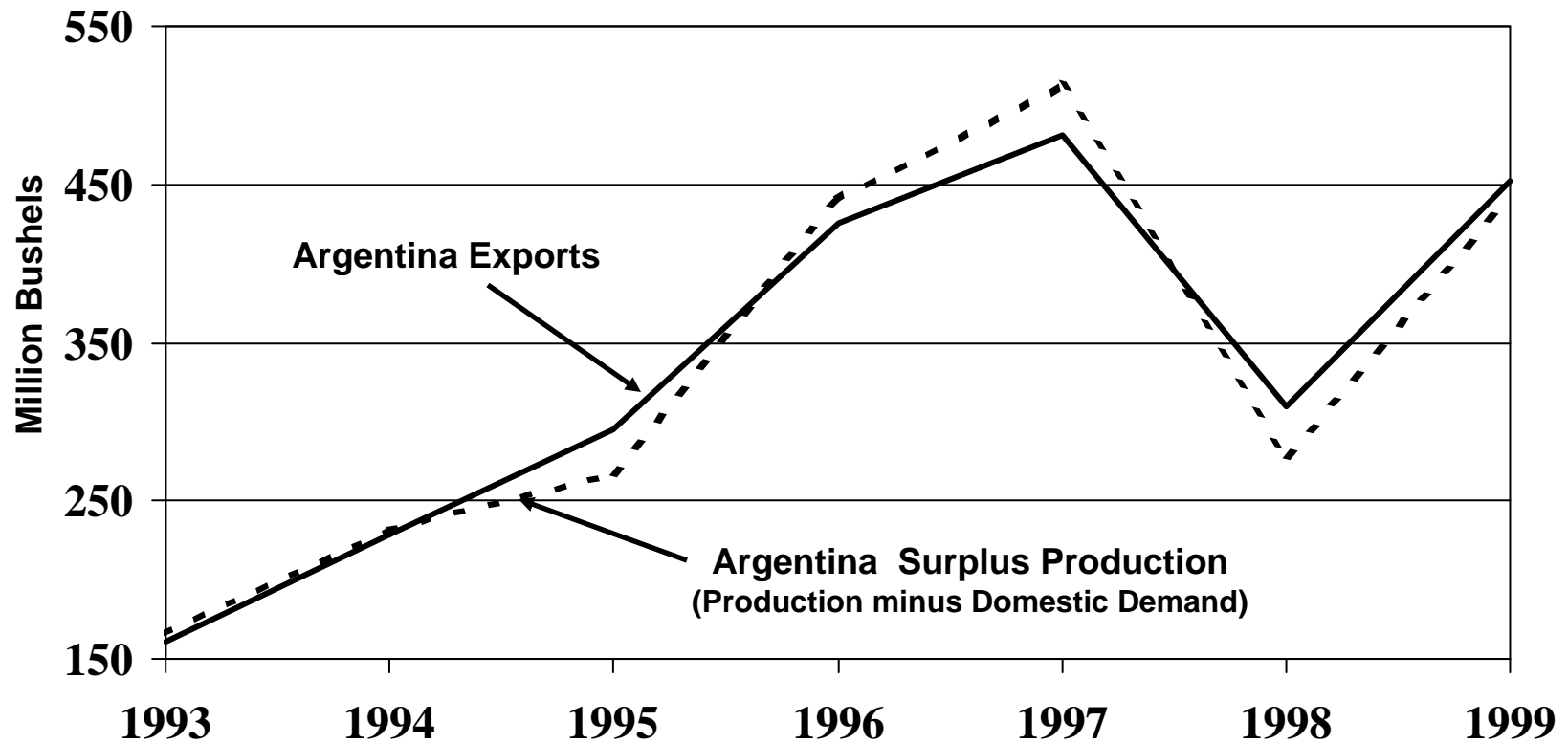
(1996=100)



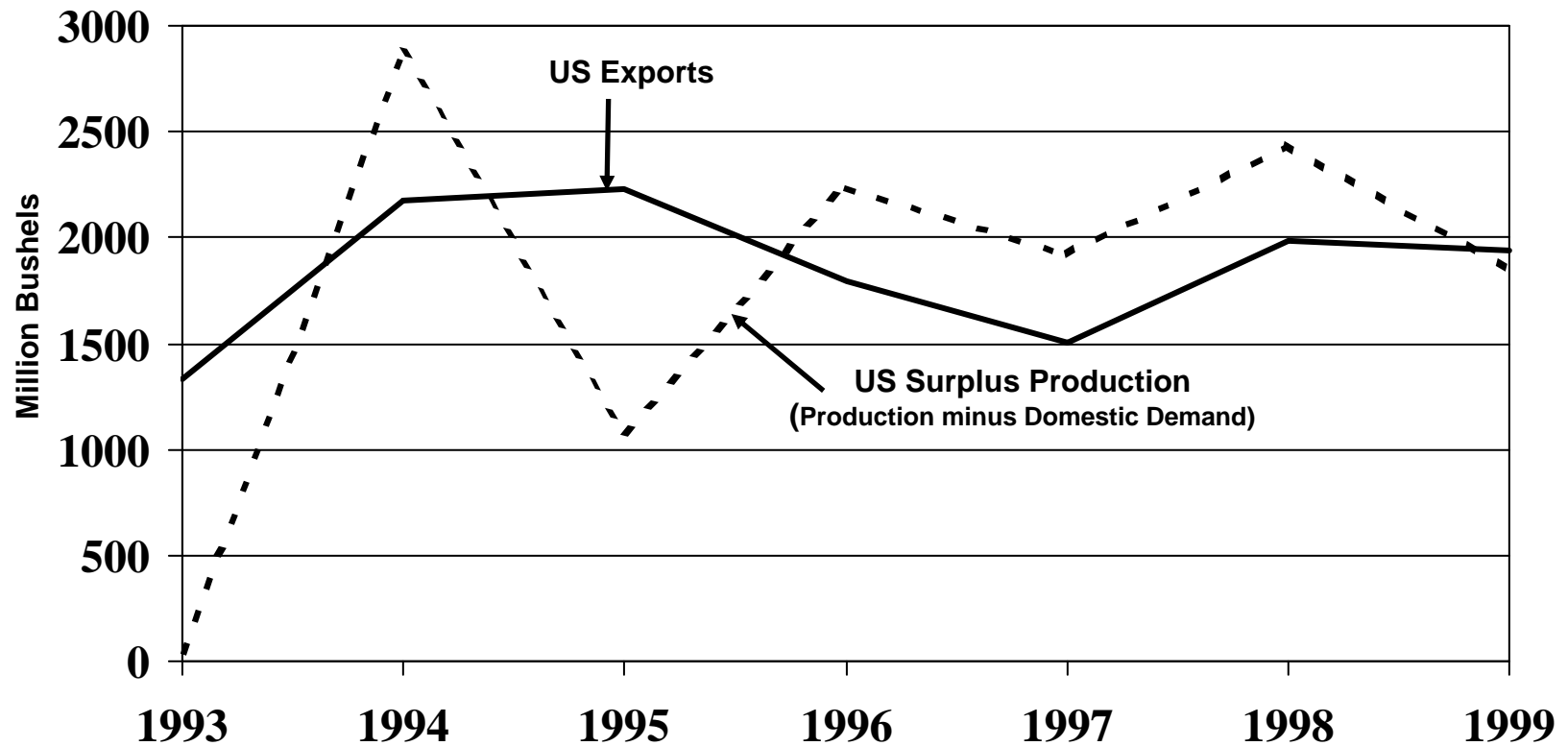
Wheat Area European Union, and U.S. Price (1996=100)



Argentina Corn Exports and Surplus Production



US Surplus Corn & Exports



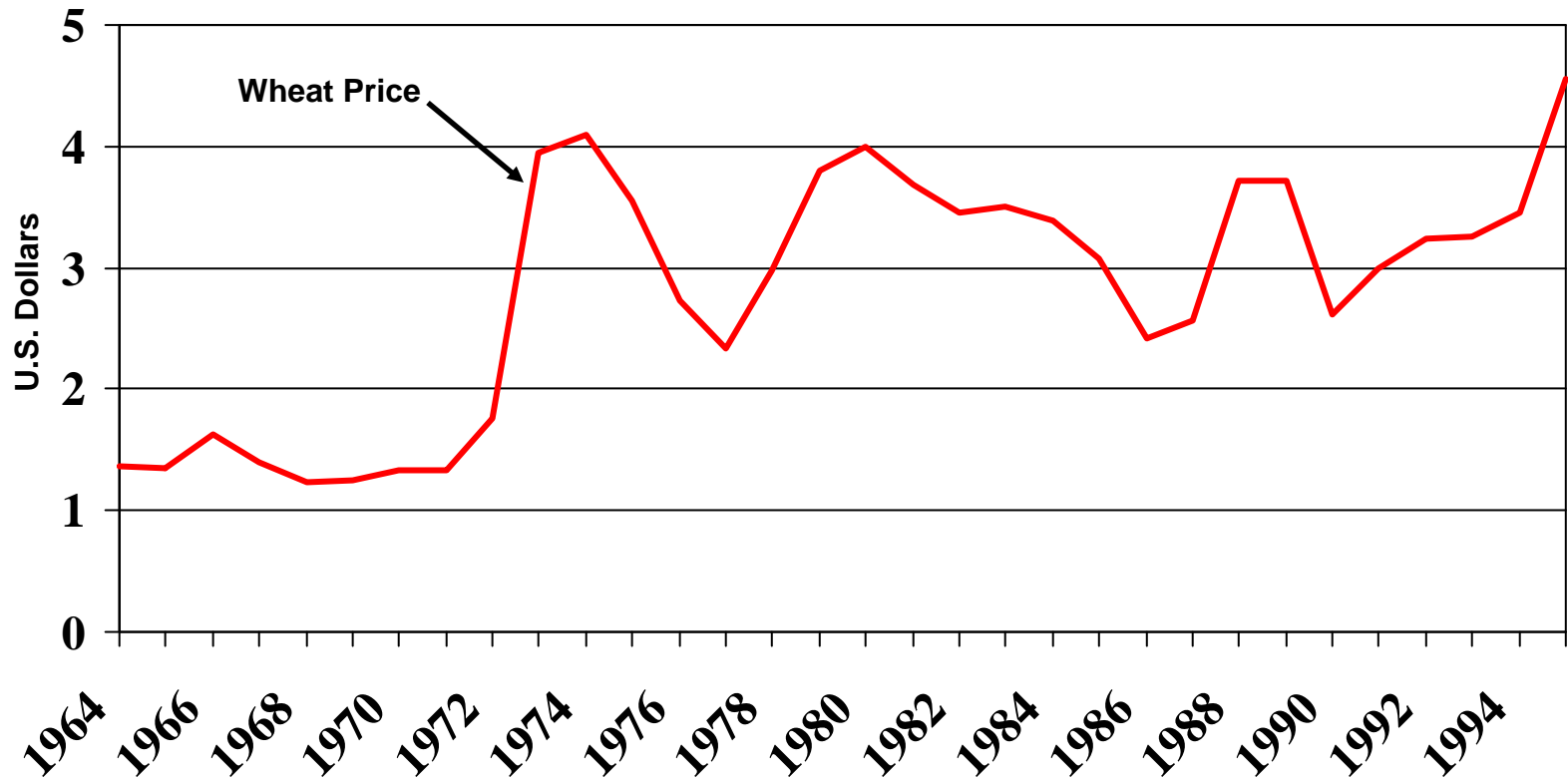
What Have We Learned?

- Crop Production is Much Different...But
- Crop Markets Remain Unchanged
- What Happened?
 - Too Optimistic Export Expectations
 - Added to an Already Unrealistic View of Food and Agricultural Exports
 - Thought Crop Markets Were Different Now
 - Because the “Textbook Tells Me So”

21st Commission Report

- Continue AMTA and LDPs
- Rebalance Loan Rates
- Remove All Payment Limitations
- Replace Emergency Payments with Supplemental Income Support (SIS)
- Presume Agriculture Will Have Good as Well as Bad Years
- Declines in Incomes Reduces SIS Payments in Later Years

US Wheat Season Average Price Received by Farmers, 1964-1995



US Corn and Wheat Season Average Price Received by Farmers, 1964-1995

