



*Farm Policy: Expectations vs.
Agriculture's Performance*

Daryll E. Ray

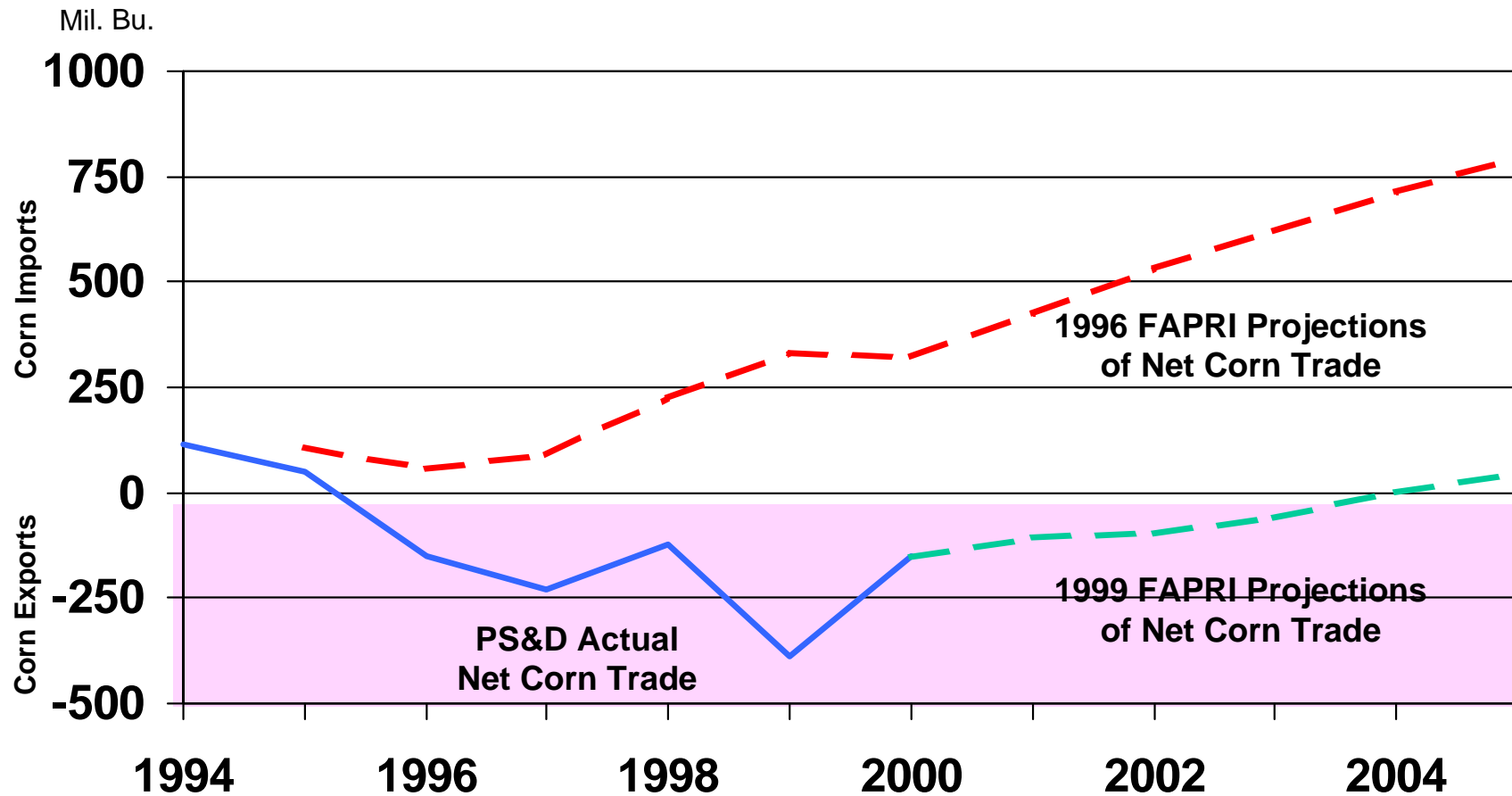
**Tennessee Farm Bureau
Presidents' Conference
Franklin, TN
August 11, 2001**

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

Expectations

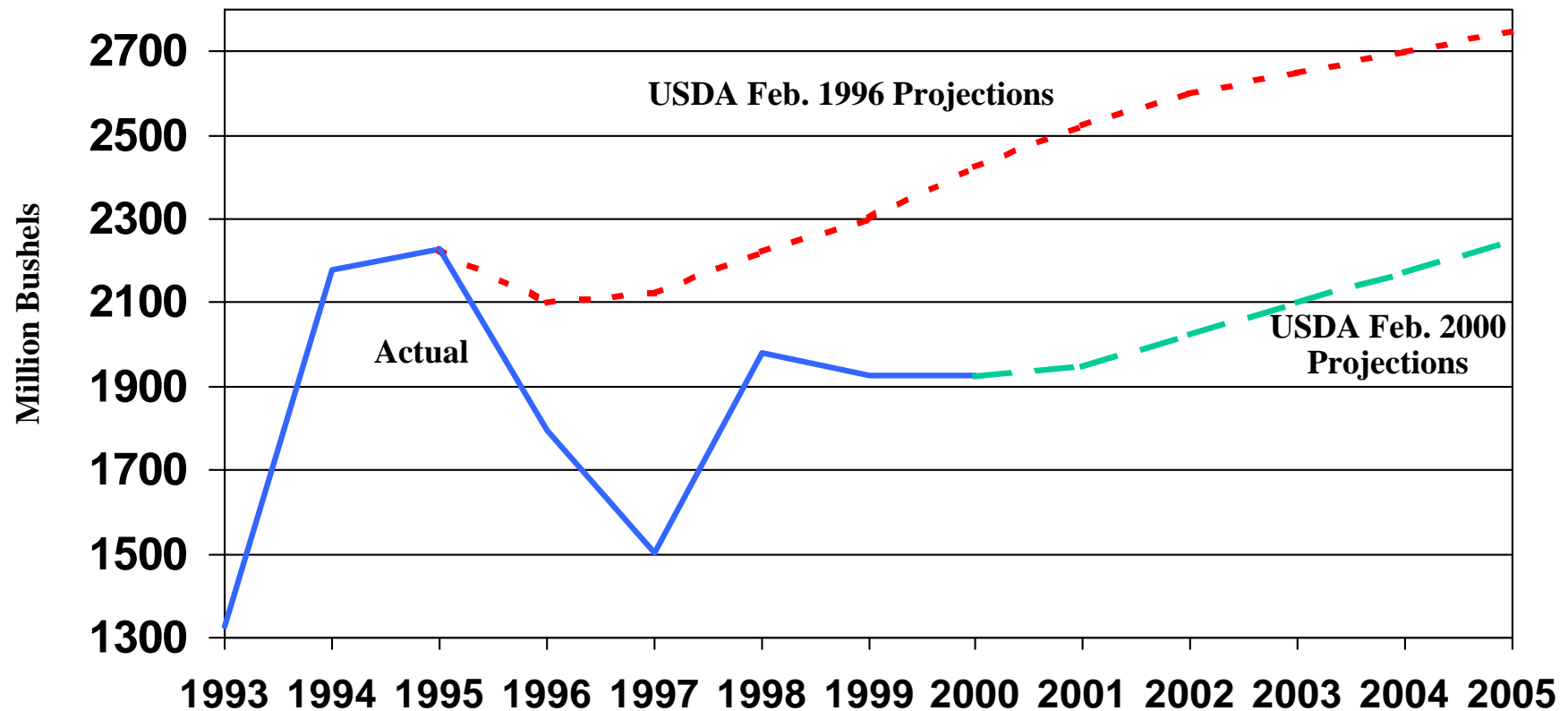
- **“High” Prices and Incomes of 1995/1996**
- **Because:**
 - **Rapid Per Capita Income Growth in China/Asia**
 - **With Planting Flexibility & Decoupled Payments Farmers Would Plant for the Market – Reduce Production When Needed**
 - **With No Brake on Prices, Importers Will Import More From the U.S. When Prices Decline – Increase Consumption & Reduce Production When Needed**
 - **With Marketing Loans, Competitors Would Not Be Under U.S. Price Support Umbrella –Reduce Production When Needed**

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



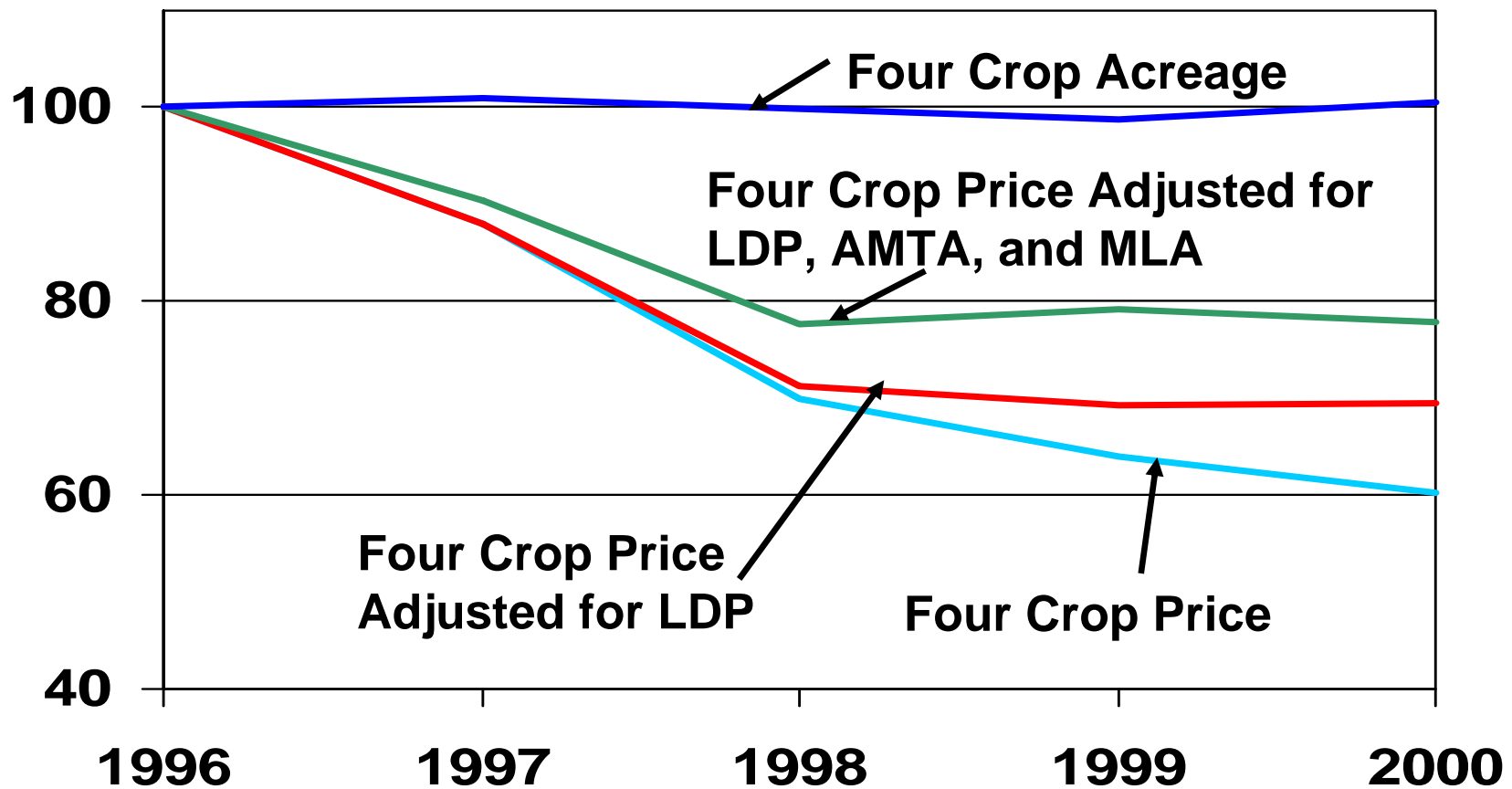
- Expected Rapid Growth in Exports Not Sustained

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

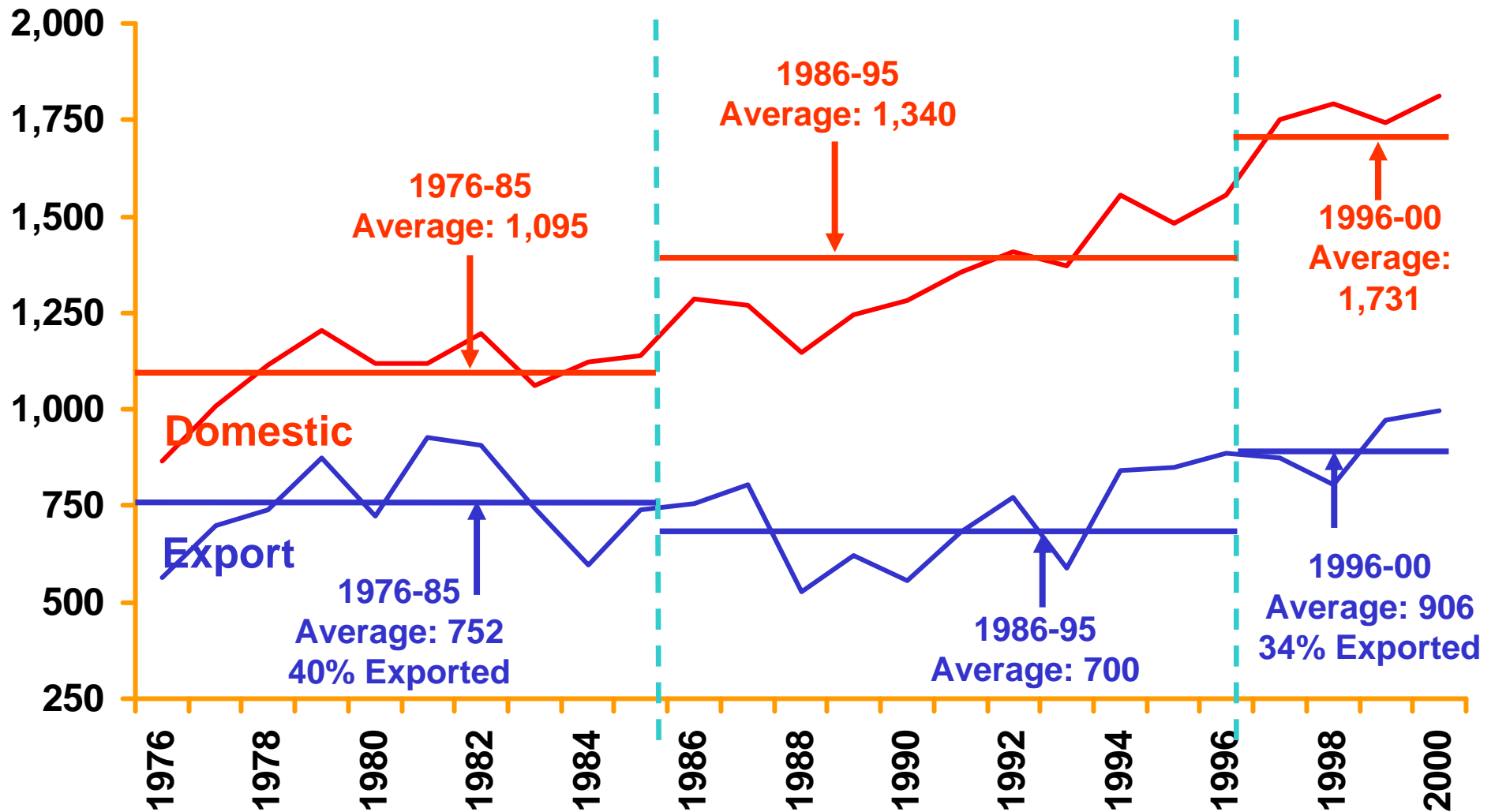


- **Expected Rapid Growth in Exports Not Sustained**

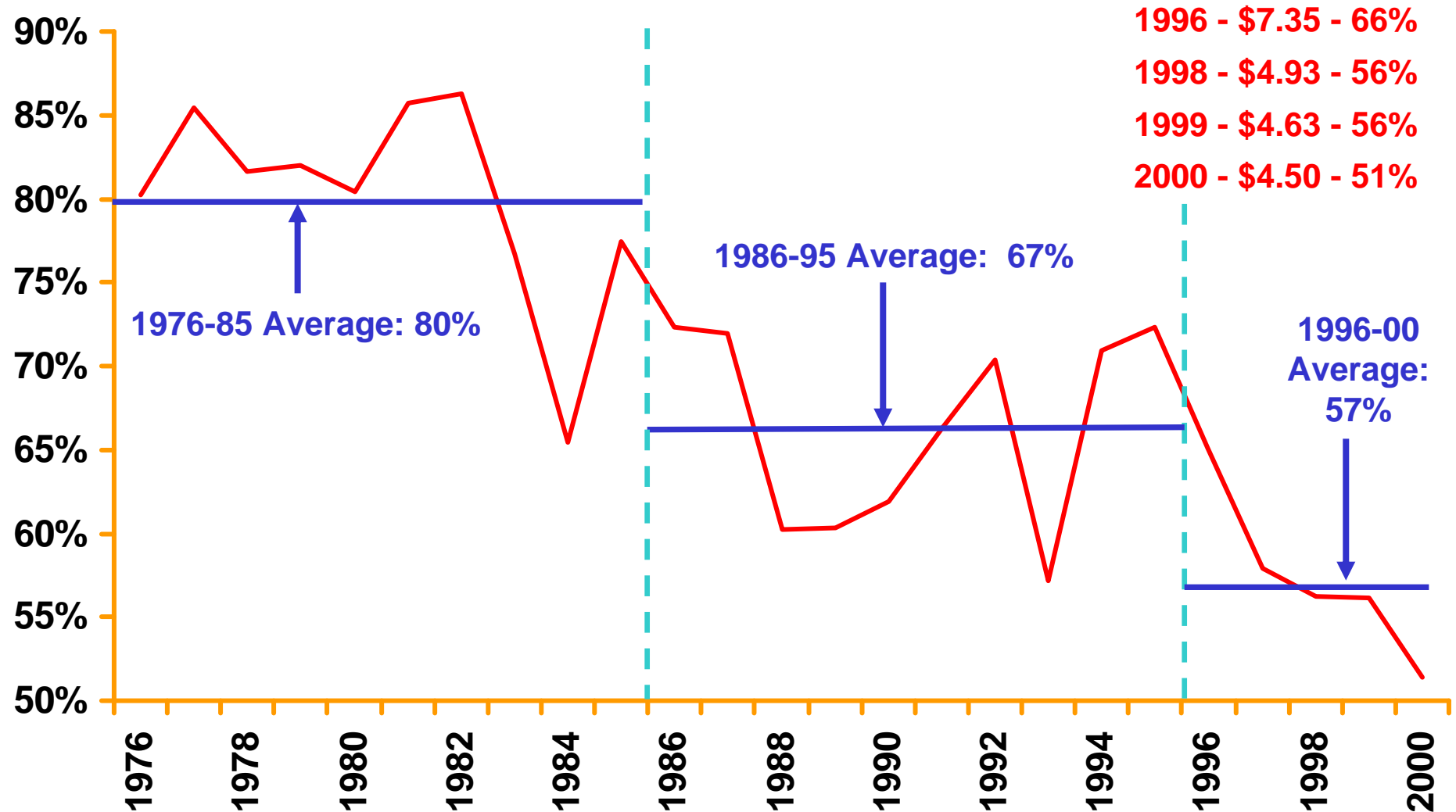
Indexed Four Crop Acreage, Price and Price Adjusted for LDP and Contract Payments



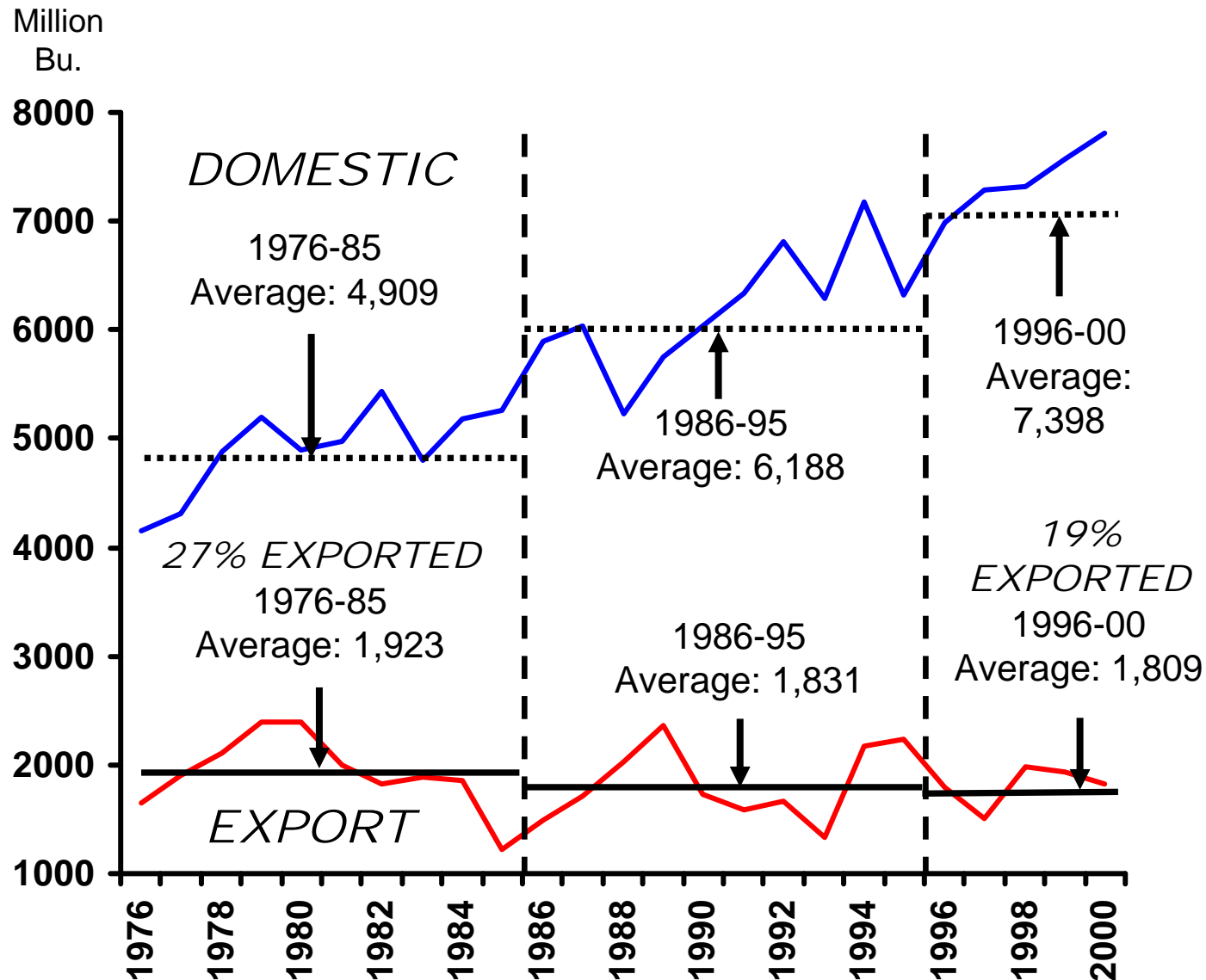
U.S. Domestic & Export Demand



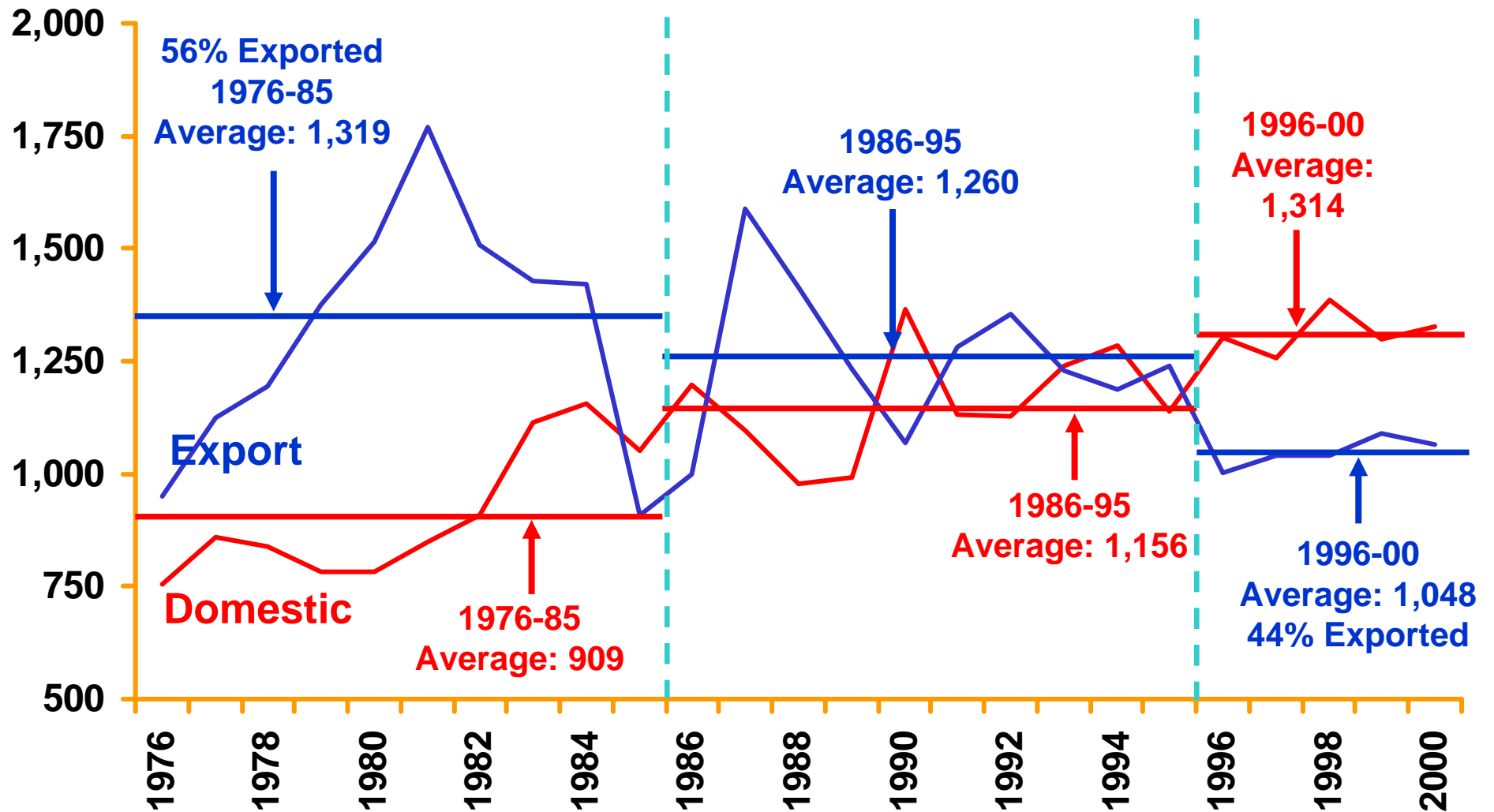
U.S. Share of World Exports



U.S. Domestic and Export Demand

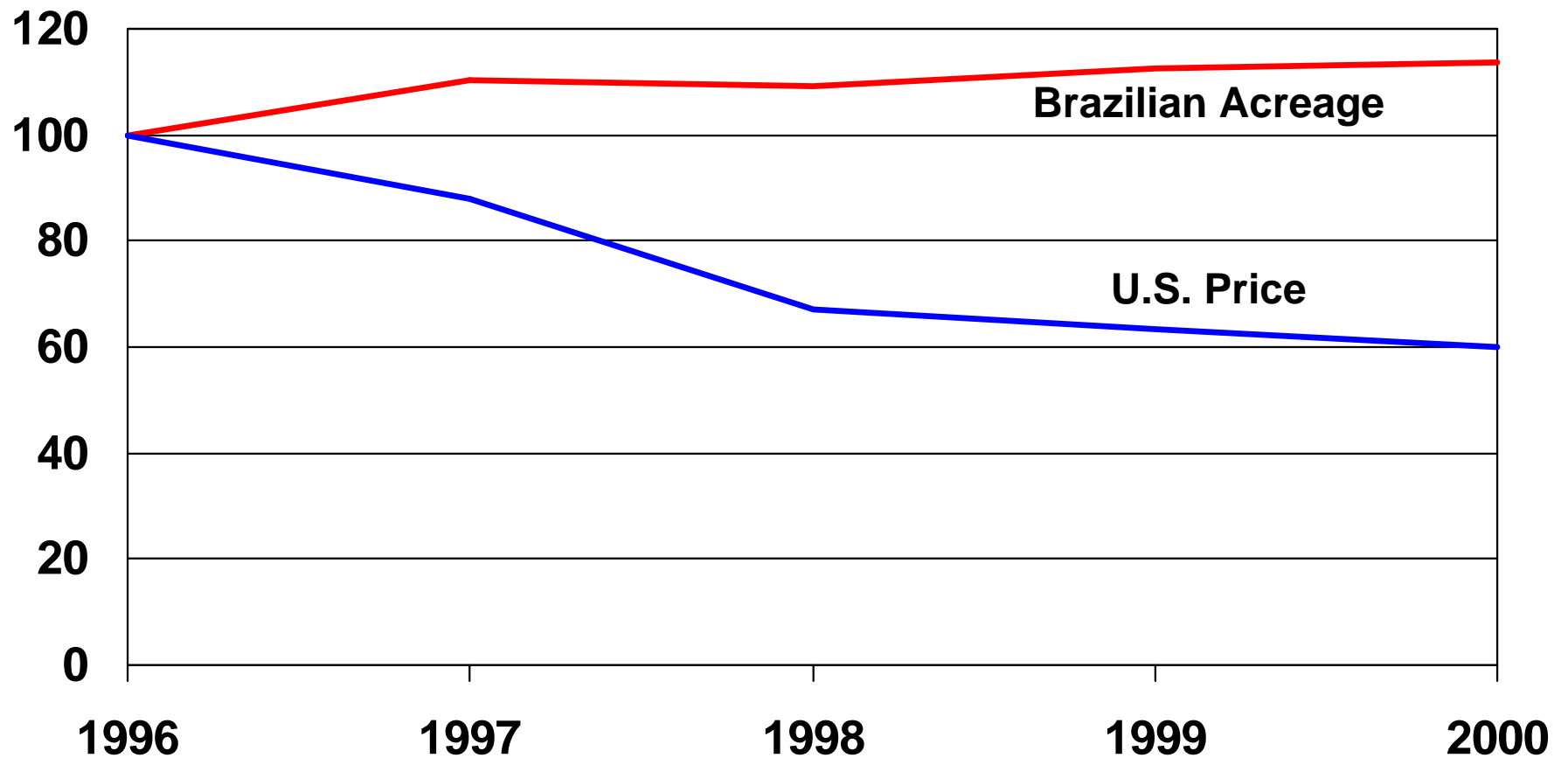


U.S. Domestic & Export Demand



Brazilian Soybean Acreage and U.S. Price

(Indexed: 1996=100)



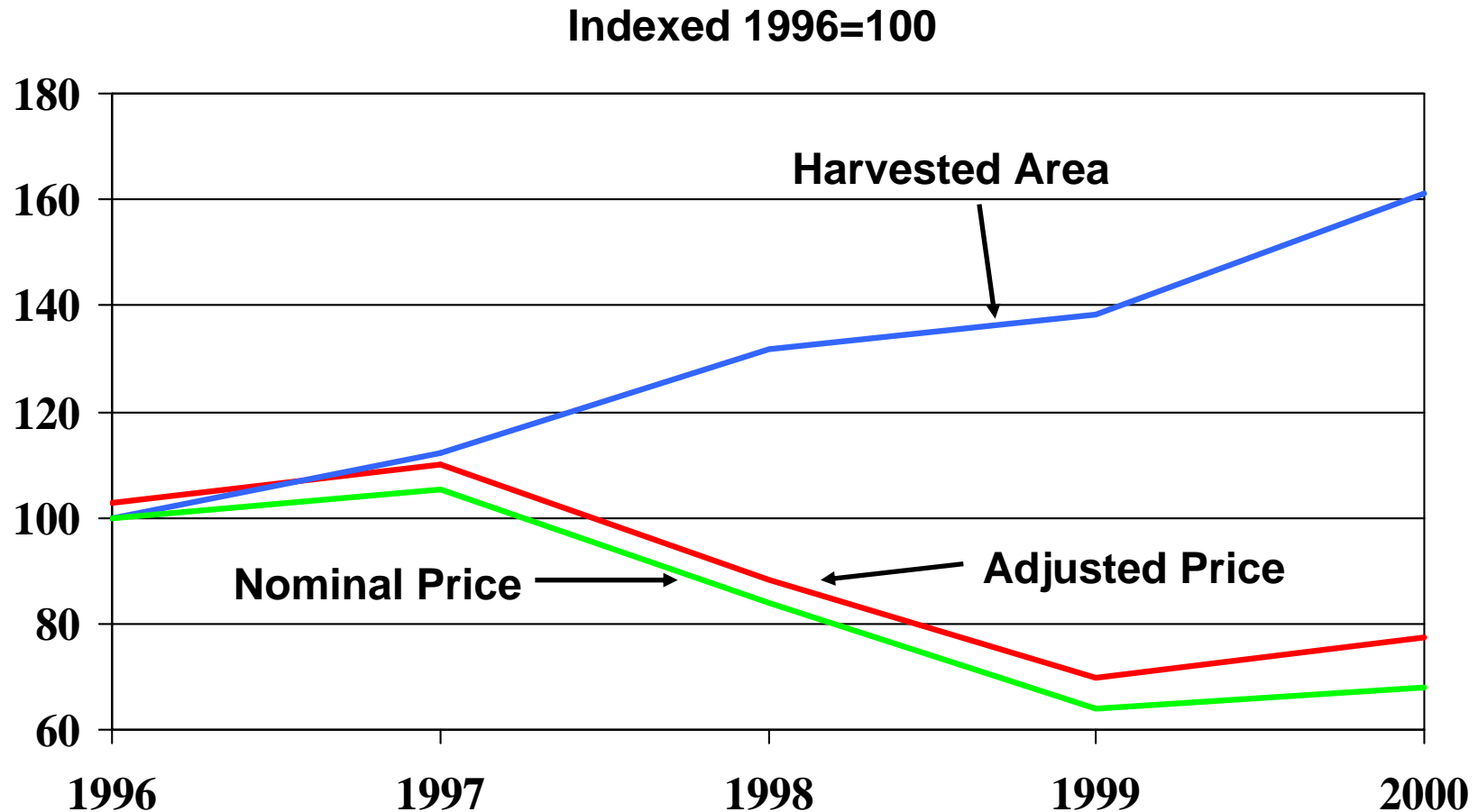
Brazilian Soybean Price and Harvested Area*

Indexed 1996=100



* Price is the export price posted by Abiove, the Brazilian Vegetable Oil Industry Association. Adjusted price is adjusted for changes in exchange rate and inflation.

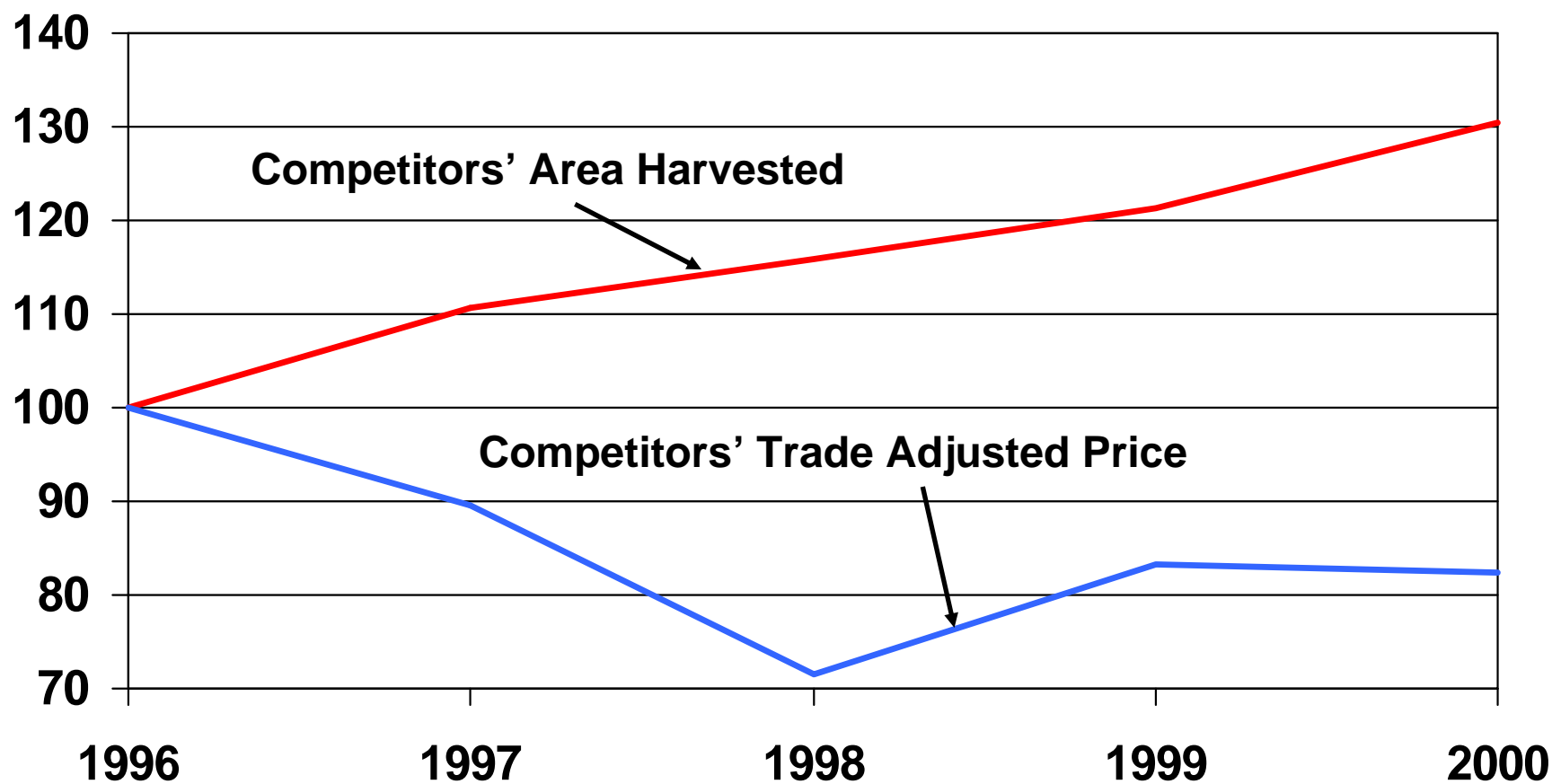
Argentine Soybean Price* and Harvested Area



* Price is the export price posted by Abiove, the Brazilian Vegetable Oil Industry Association. Adjusted price is adjusted for changes in exchange rate and inflation.

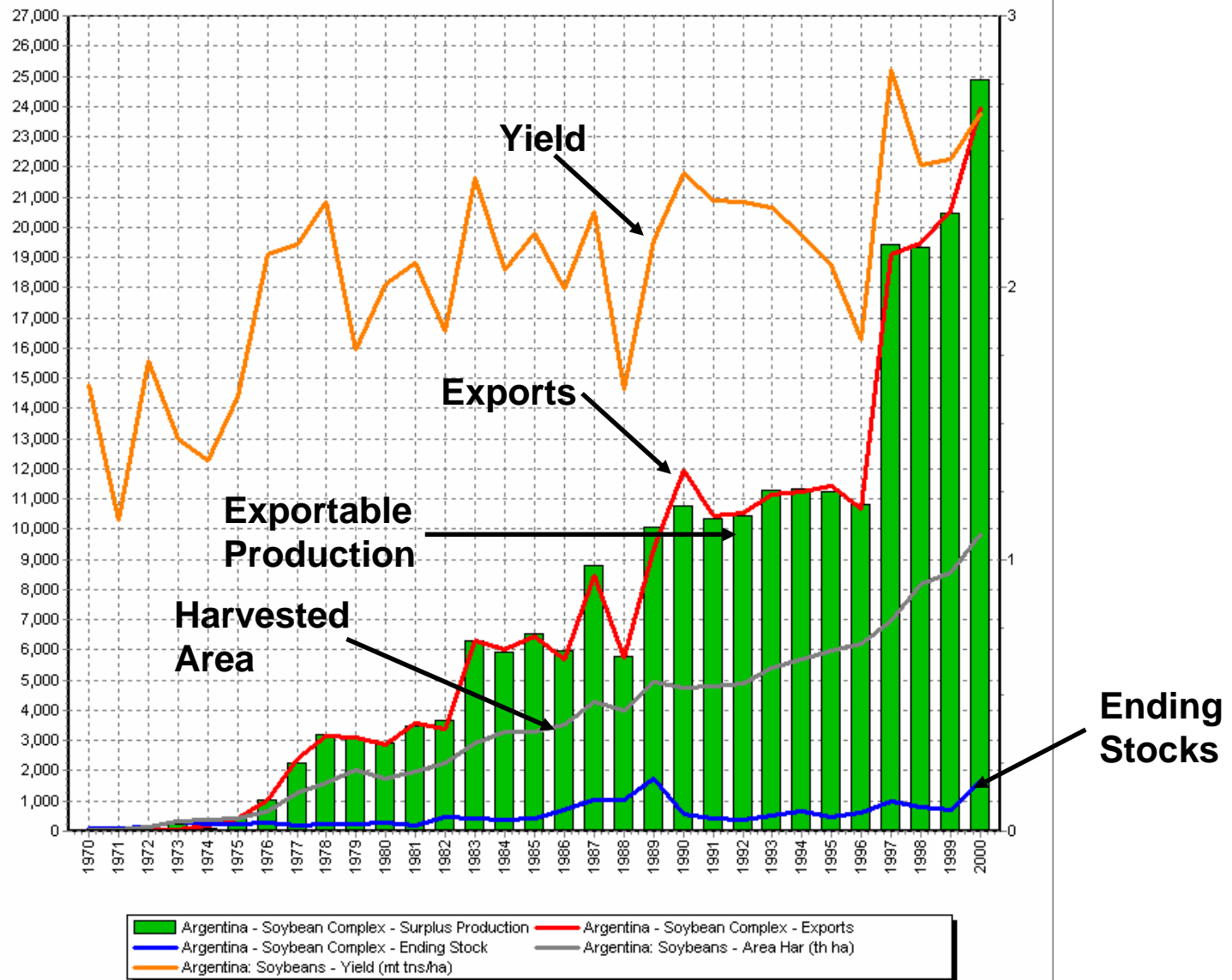
Real Trade Weighted Soybean Prices and Harvested Area for U.S. Competitors

Indexed 1996=100

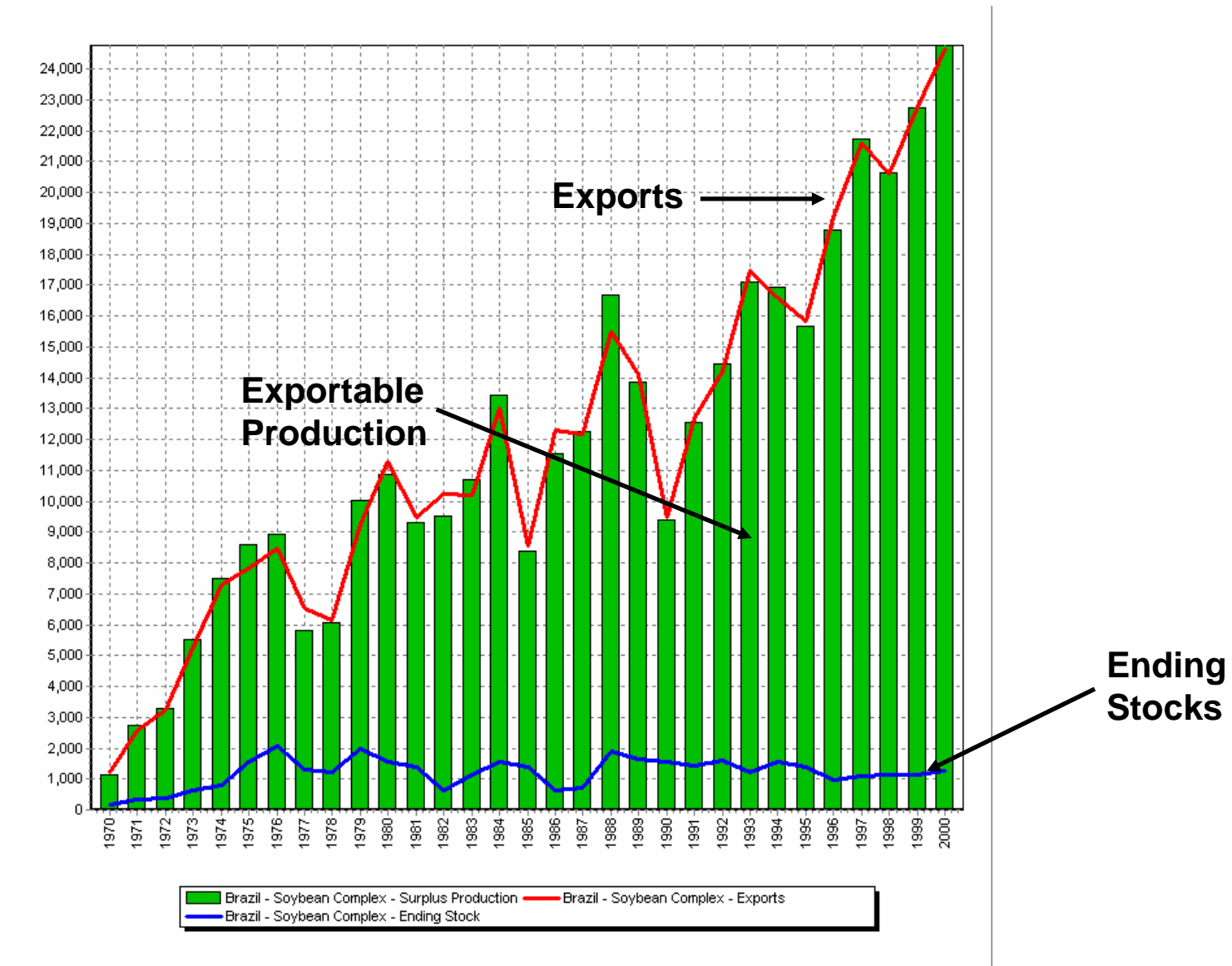


Data source: USDA, ERS

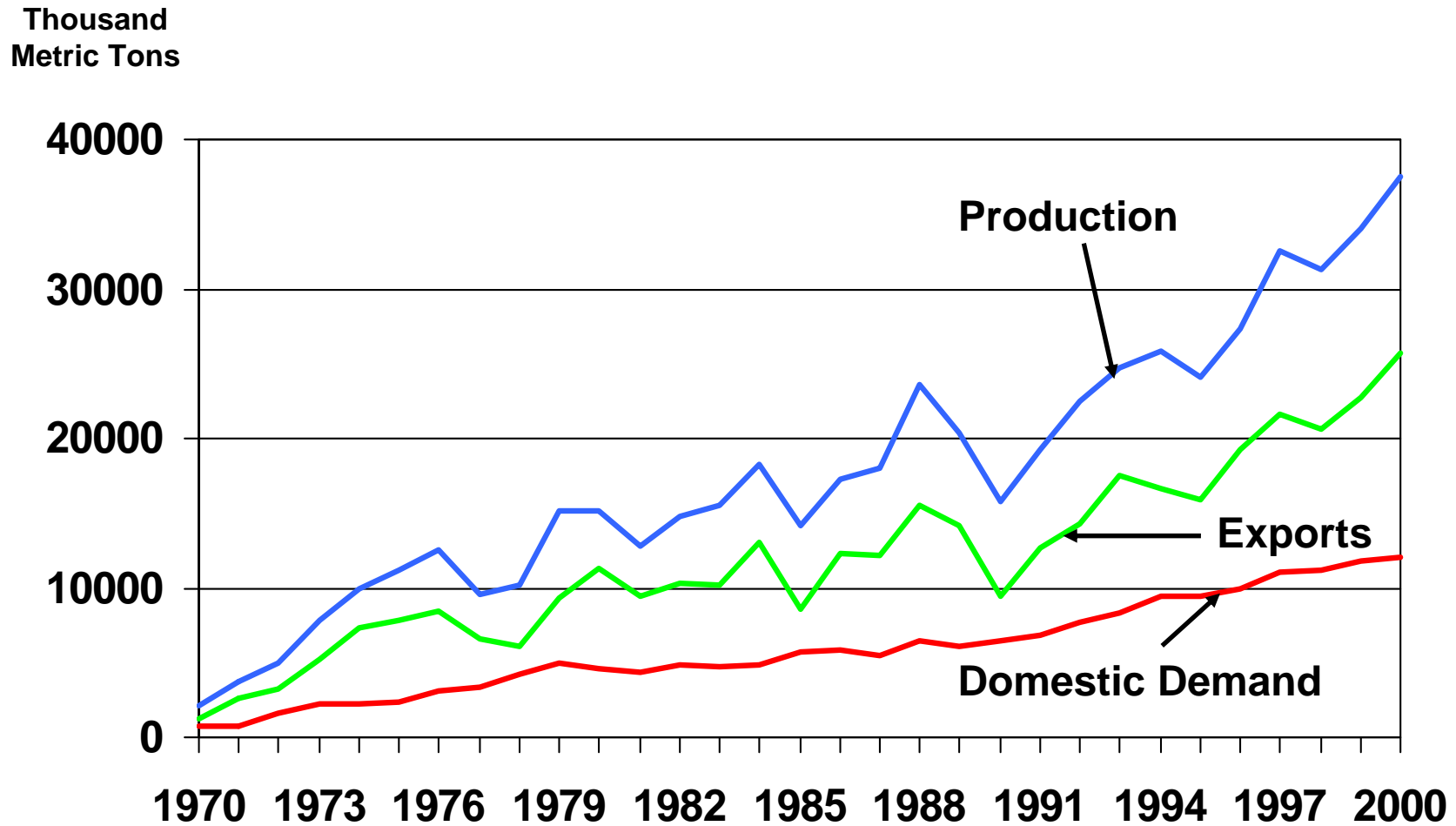
Argentine Soybean Complex Exports and Surplus Production



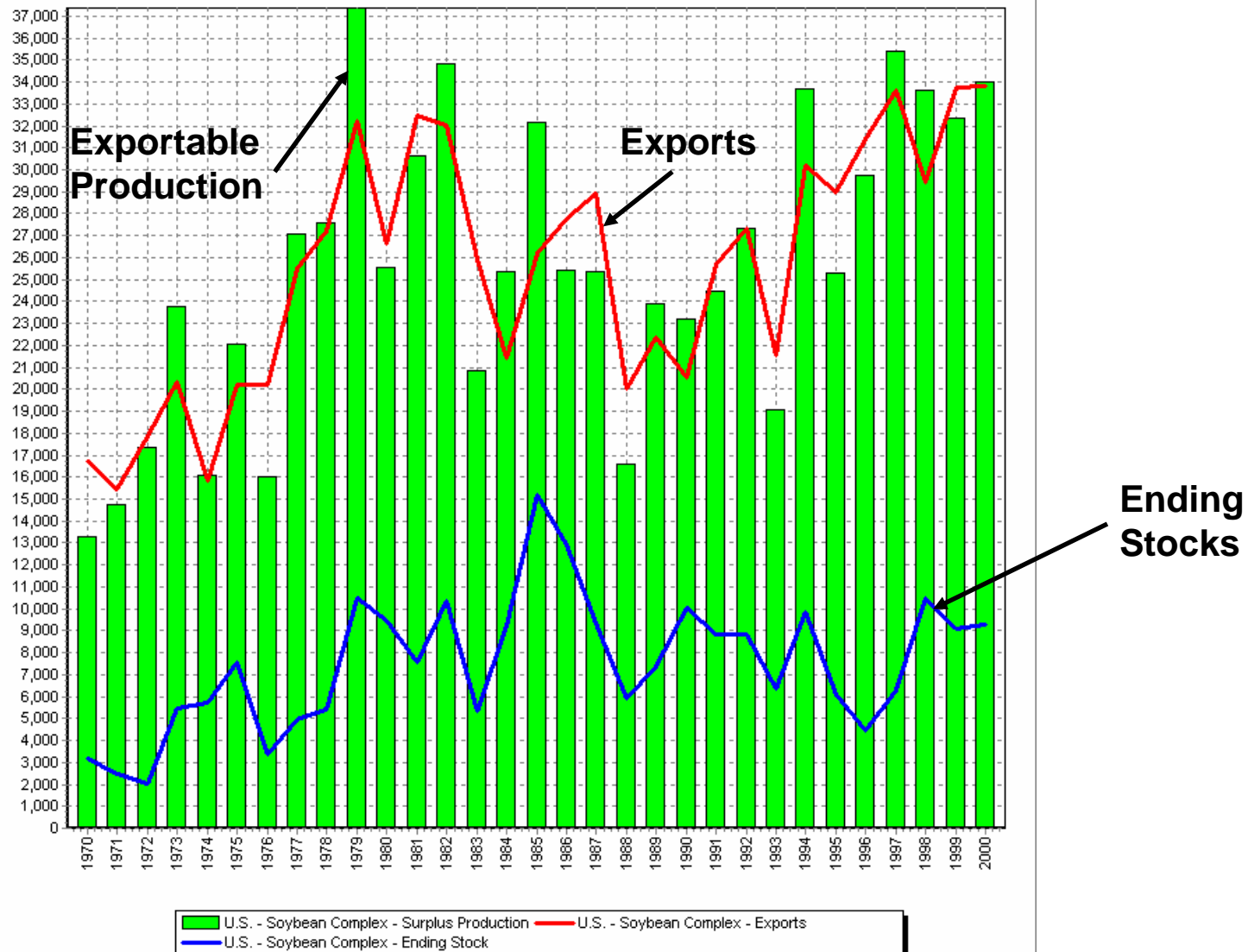
Brazilian Soybean Complex Exports and Surplus Production



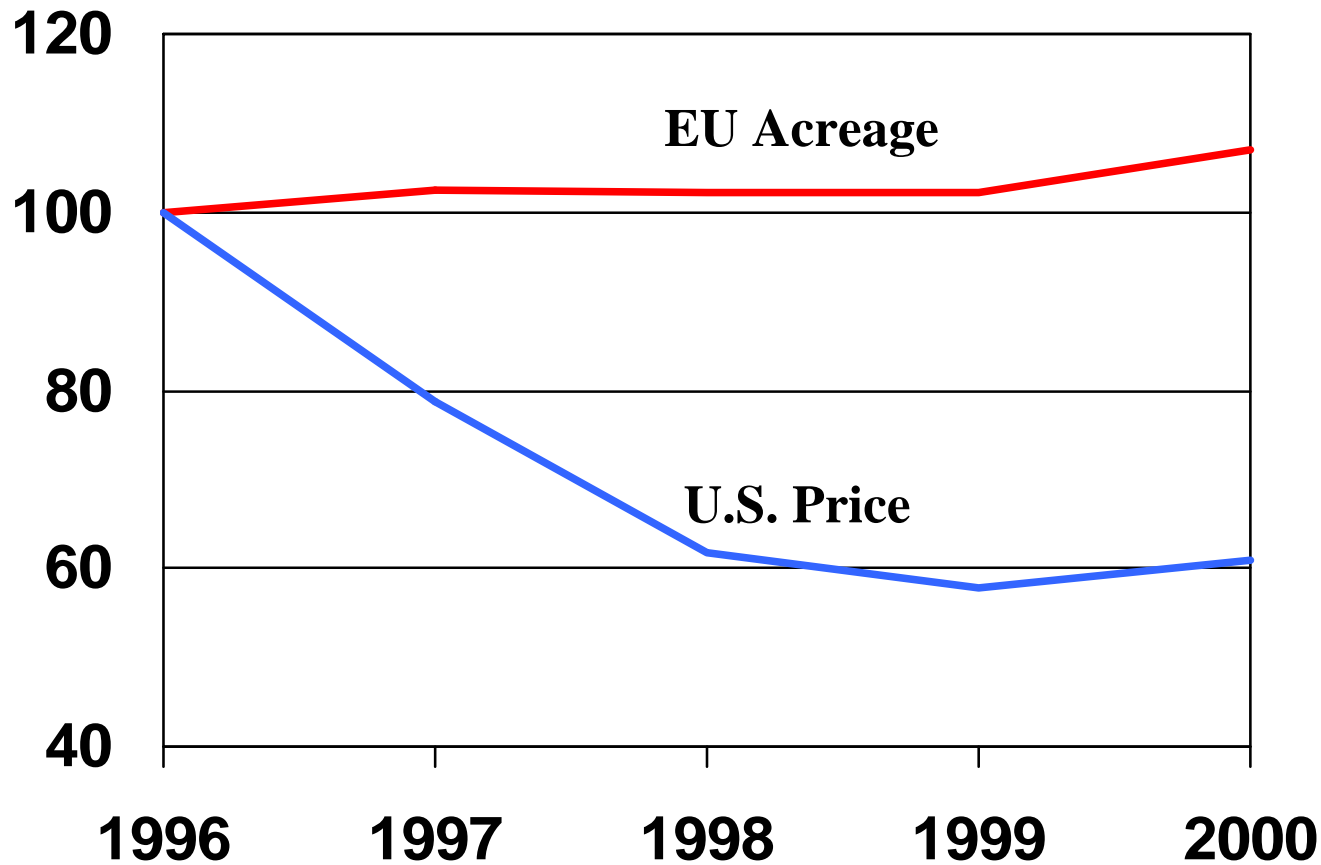
Brazilian Soybean Complex Production, Exports and Domestic Demand



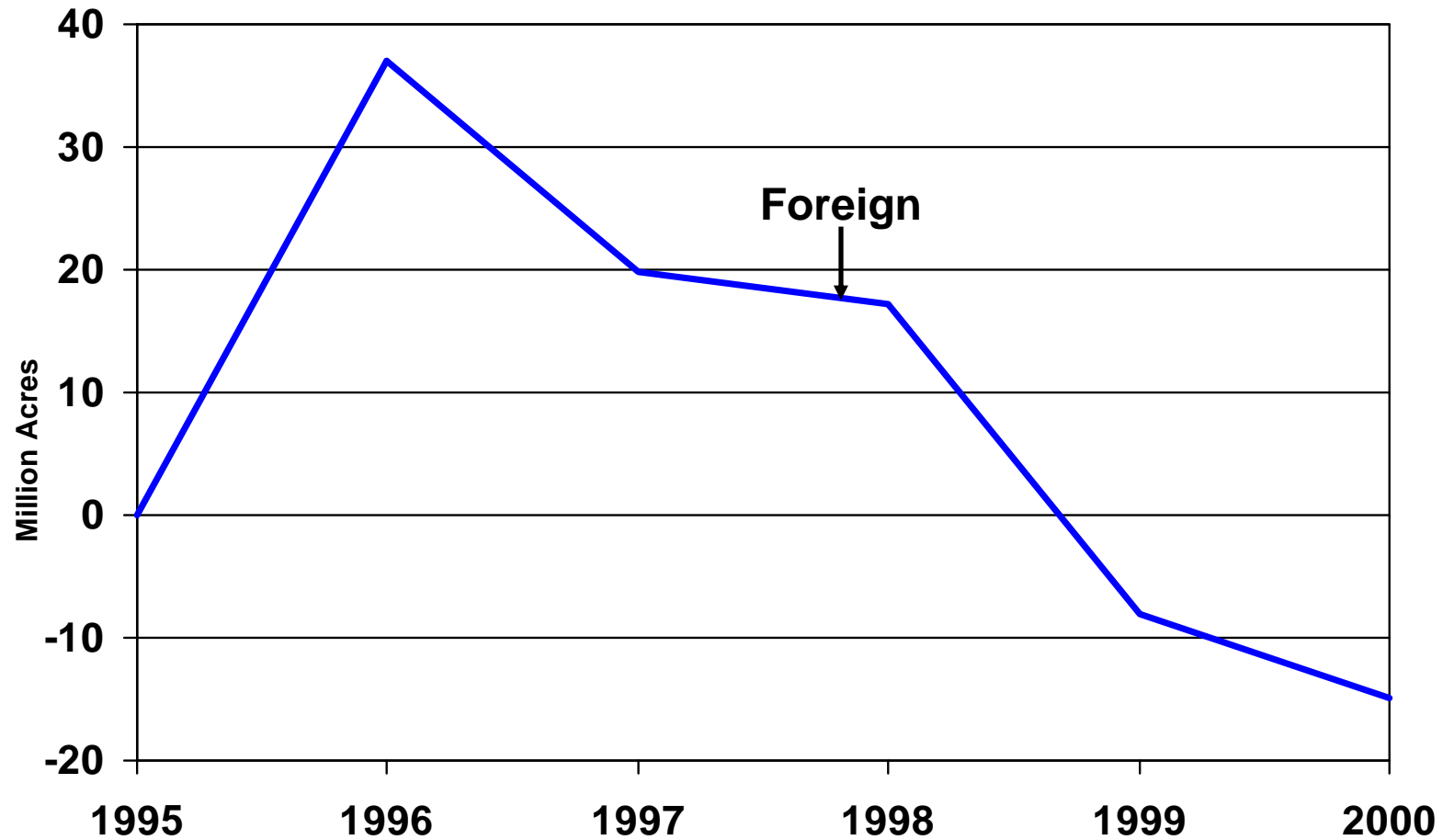
U.S. Soybean Complex Exports and Surplus Production



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

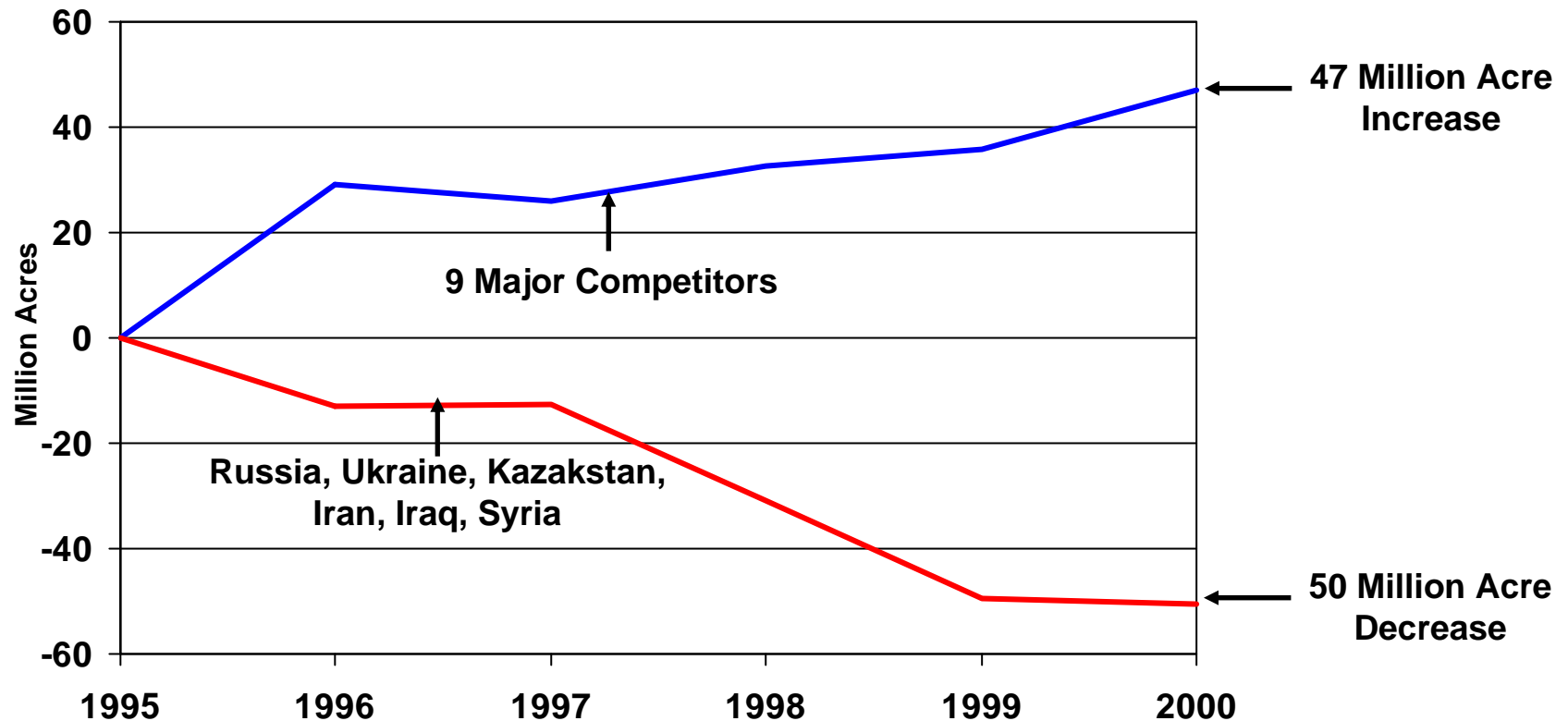


Foreign Crop Acreage



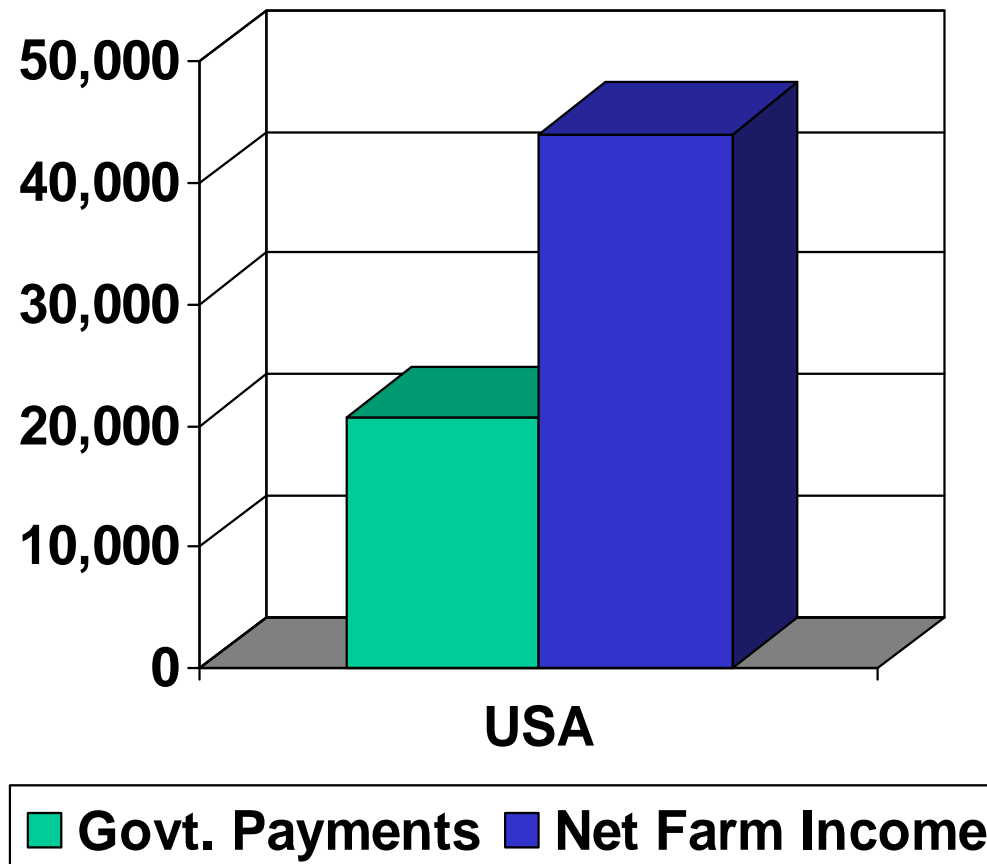
Gain or loss in foreign harvested acres when compared to 1995

Foreign Crop Acreage

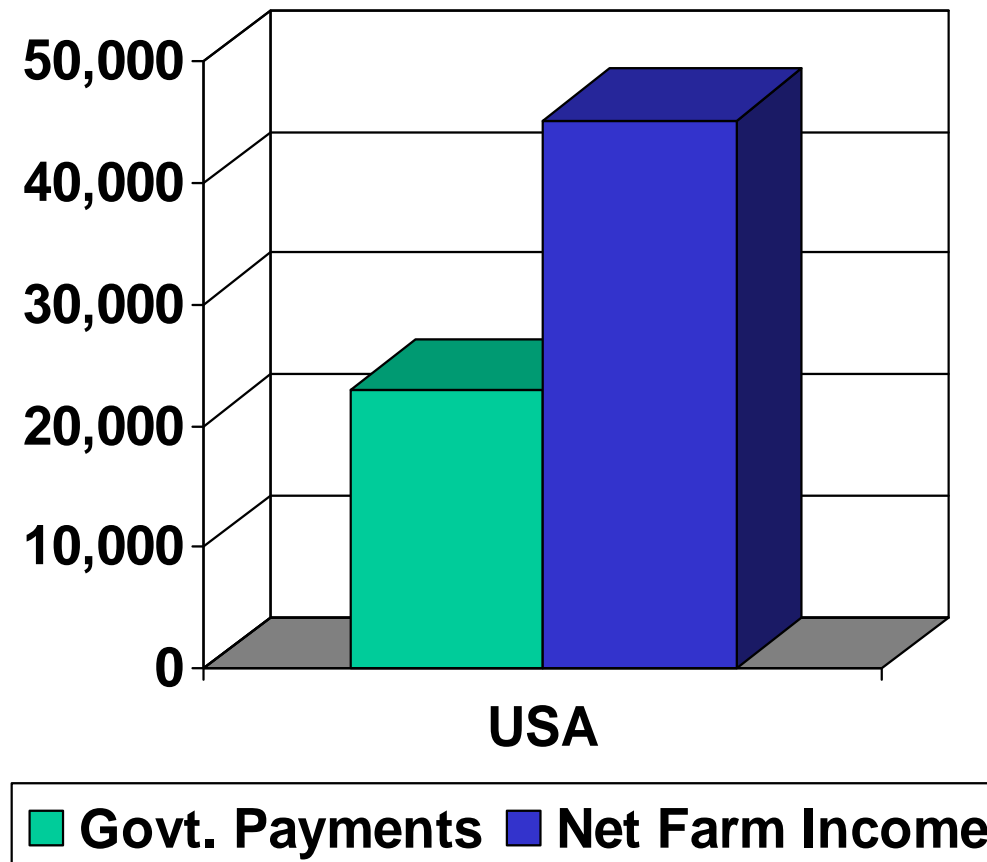


Gain or loss in 9 competitors' and a grouping of 3 former Soviet Union and 3 Middle Eastern countries' harvested acres when compared to 1995.

1999 Net Farm Income and Government Payments



2000 Net Farm Income and Government Payments



Agricultural Policy Analysis Center

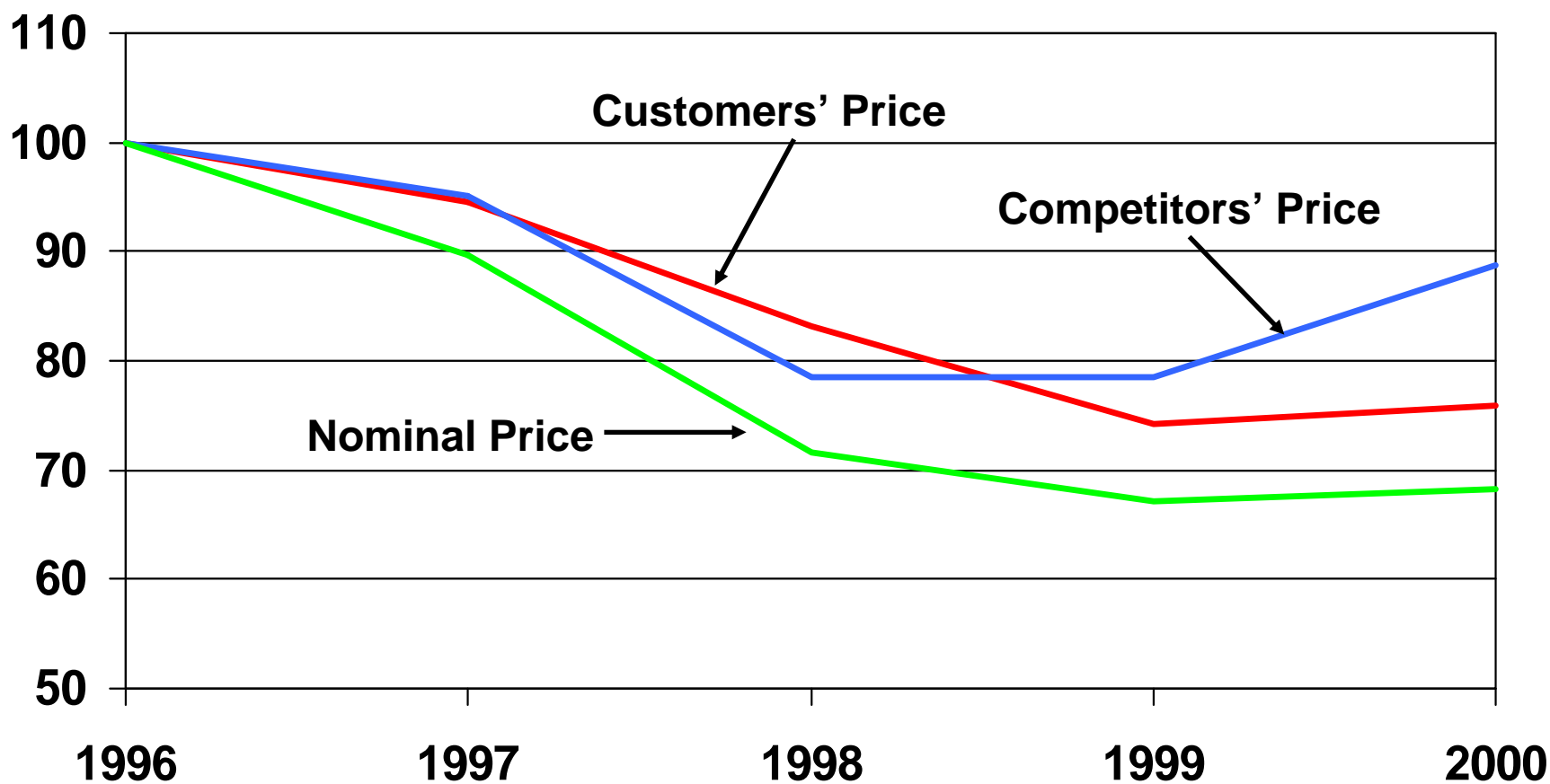
University of Tennessee

<http://agpolicy.org>

dray@utk.edu

Real Trade Weighted Corn Prices for U.S. Customers and Competitors

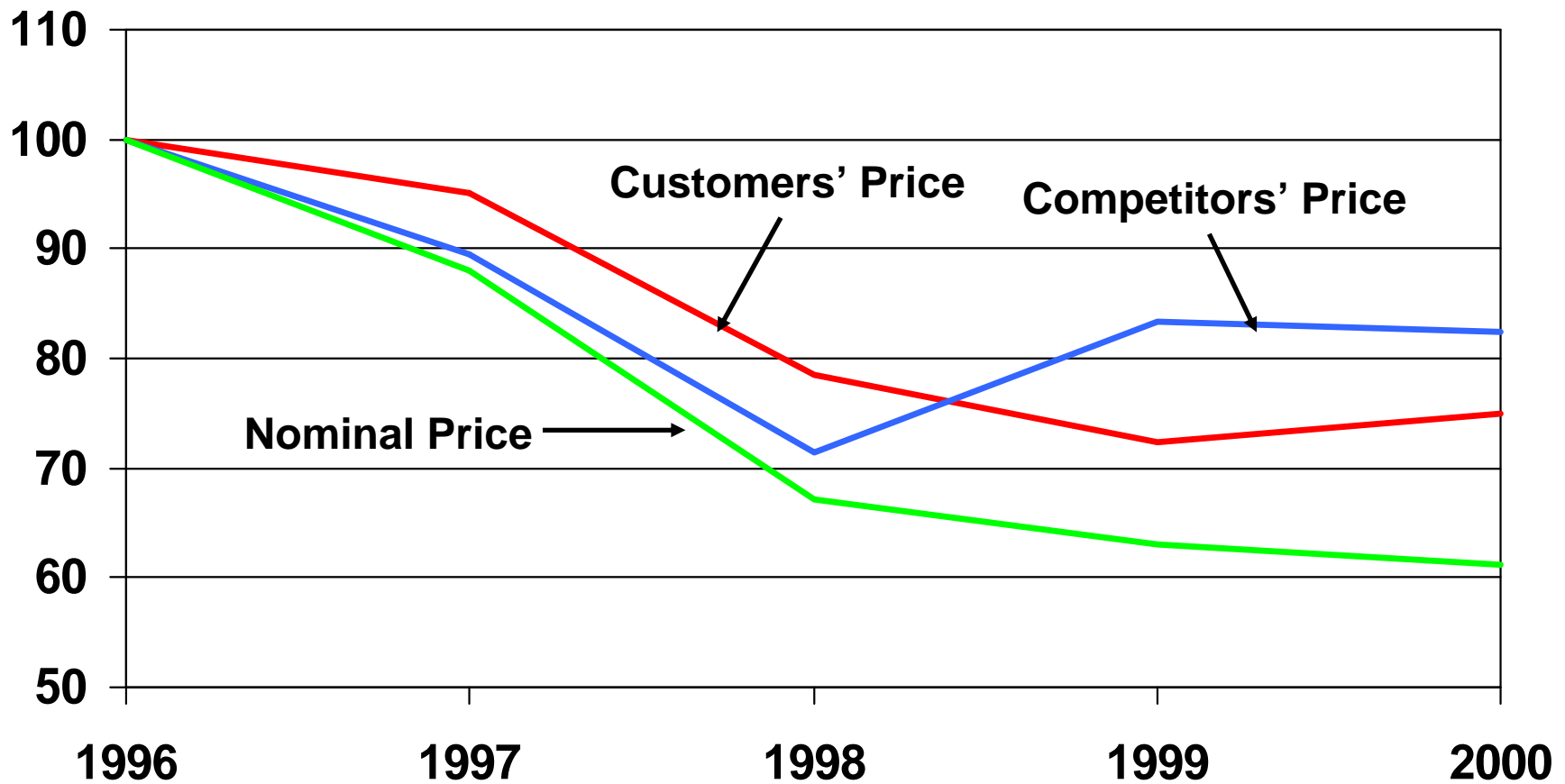
Indexed 1996=100



Data source: USDA, ERS

Real Trade Weighted Soybean Prices for U.S. Customers and Competitors

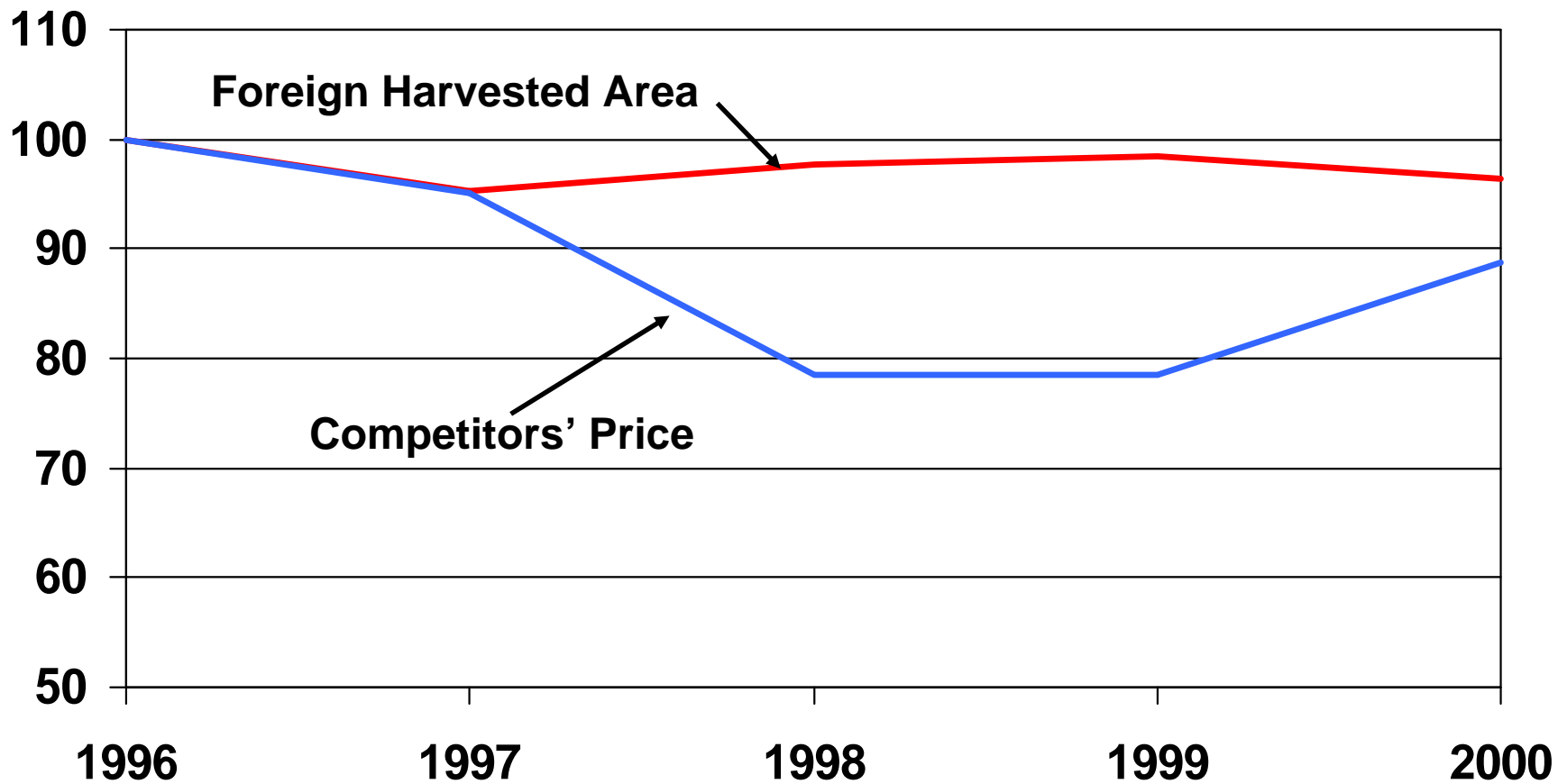
Indexed 1996=100



Data source: USDA, ERS

Real Trade Weighted Corn Prices for U.S. Competitors and Foreign Harvested Area

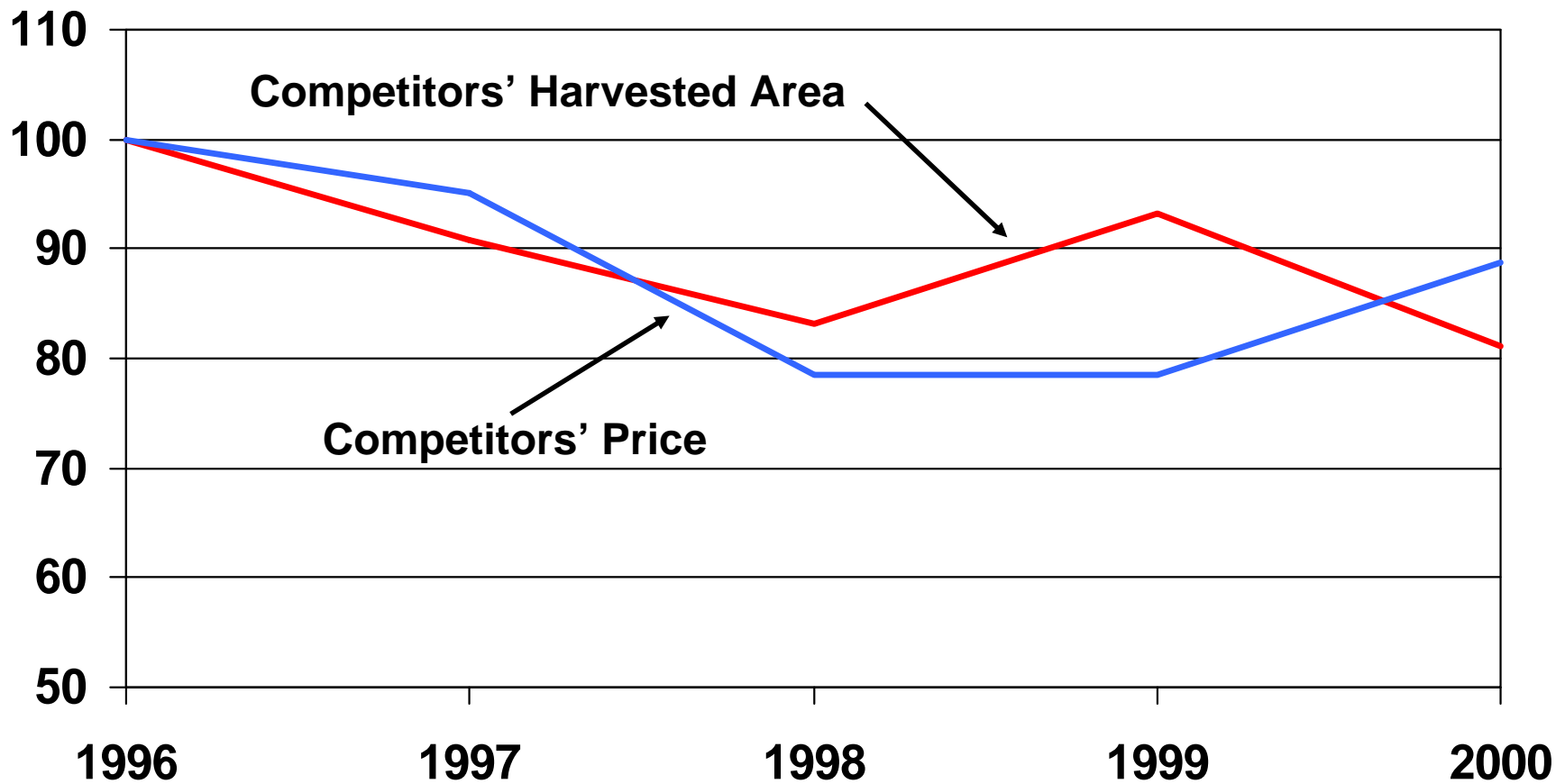
Indexed 1996=100



Data source: USDA, ERS

Real Trade Weighted Corn Prices and Harvested Area for U.S. Competitors

Indexed 1996=100



Data source: USDA, ERS

Draft Farm Bill Concept Paper

Proposed by

Rep. Larry Combest, Chair

House Agriculture Committee

**Goal: Produce draft a Farm Bill by August 3
Congressional Recess**

Program Crops

- **Similar and equitable provisions for each of the program crops including oilseeds**
- **Maintain maximum flexibility for producers**
- **Provide counter-cyclical assistance**

Fixed, Decoupled Payments (AMTA)

- **Continued in new legislation**
- **Oilseeds added to list of crops receiving payments**
- **Payment rates**
 - **Current crops will be set at 2002 level**
 - **Soybeans at 34¢, comparable for other oilseeds**
- **Payment limit of \$40,000 for fixed, decoupled payments for all crops**

Counter-Cyclical Payments (Variable AMTA)

- **Eligible producers of an eligible crop would receive payment when crop's price, adjusted for AMTA is below a target price**
- **Target prices set at 1995 level, soybeans at \$5.76, comparable for minor oilseeds**
- **Payment limit of \$75,000 for Variable AMTA for all crops would be established**

Acres Update

- **Producers **MAY** update base acres**
 - a. **Current AMTA acres OR**
 - b. **Average acres planted to an AMTA crop and/or oilseed for 1998-2001 period**

- **Once updated for 2002, bases will be fixed**

- **Base acres will be used for both AMTA and Variable AMTA payments**

- **Payment acres for both are 85% of base acres**

Payment Yields

- **Current AMTA payment yields**
- **For oilseeds and farms without current AMTA payment yield, the Secretary will develop yields that are comparable to current AMTA yields in the area**
- **Payment yields will be used for both AMTA and Variable AMTA payments**

Marketing Loan Provisions (LDPs and MLGs)

- **Current loan rates would continue for all crops except:**
 - a. Soybeans set at \$4.92/bu. instead of \$5.26/bu.
 - b. Minor oilseeds at \$0.087 per pound
 - c. Grain sorghum at \$1.89 per bushel
- **Eligibility on 100% of current production**
- **Payment limit of \$75,000 for LDPs and MLGs for all crops**

Proposed Rates and Prices

Crop	Unit	Proposed Loan Rate	Proposed Fixed Decoupled Payment Rate	Proposed Target Price
Wheat	Bu.	\$2.58	\$0.53	\$4.04
Corn	Bu.	1.89	0.30	2.78
Sorghum	Bu.	1.89	0.36	2.64
Barley	Bu.	1.65	0.25	2.39
Oats	Bu.	1.21	0.03	1.47
Upland Cotton	Lb.	0.50 to 0.5192	0.0667	0.7360
Rice	Cwt.	6.50	2.35	10.82
Soybeans	Bu.	4.92	0.42	5.86
Minor Oilseeds	Lb.	0.087	0.007	0.1036

Conservation Security Act

Proposed by
Sen. Tom Harkin, Chair
Senate Agriculture Committee

Introduced May 22, 2001

Conservation Security Program

- **Allow farmers and ranchers to enter into 5 to 10 year contracts**
- **Chose from one of three tiers of conservation practices**
- **Payments based on number and type of practices and level of conservation on their land**

Conservation Security Program Tier I

- **Annual payment of up to \$20,000 for implementing a basic set of Class I practices such as:**
 - a. **Nutrient Management**
 - b. **Soil conservation**
 - c. **Wildlife habitat management**

Conservation Security Program

Tier II

- **Annual payment of up to \$35,000**
- **Farmers would add to Class I practices by choosing a minimum number of Class II practices including:**
 - a. **Controlled, rotational grazing**
 - b. **Partial field practices like buffer strips and windbreaks**
 - c. **Wetland restoration**
 - d. **Wildlife habitat enhancement**

CSP Tier III

- **Annual payment of up to \$50,000**
- **Adopt comprehensive Tier III conservation practices on their whole farm under a plan that addresses all aspects of:**
 - a. **Air**
 - b. **Land**
 - c. **Water**
 - d. **Wildlife**

Other Possibilities

- **Energy Crop related policy**
It could happen
- **Continuation of current policy**
Low probability
- **Revise loan rates**
Lower probability
- **Buffer stocks/set-asides**
When pigs fly