

A Few Thoughts on the Farm Bill

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TEXAS A&M
AGRILIFE
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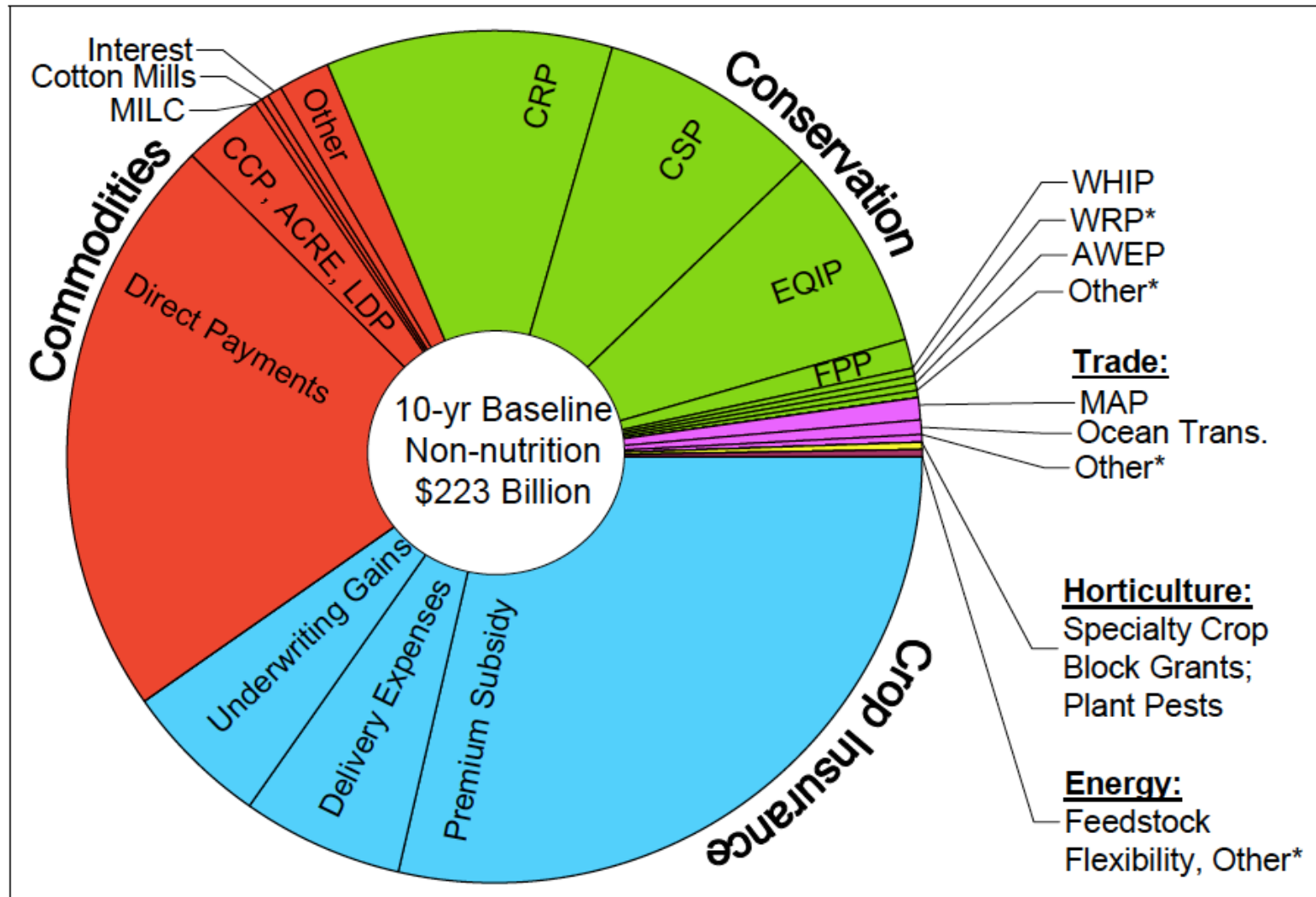
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Presentation Outline

- Maybe a Few Things That Haven't Already Been Said
- Keys to the Delay
 - Money Issues
 - Pure Politics
- Results Suggest...
- Extension Has a Huge Role



Ten-Year Mandatory Baseline for Non-Nutrition Agricultural Programs



Source: CRS, using the March 2012 CBO baseline.

Title	Description	CBO Baseline	Change Senate	Change House
I	Commodity Programs	62,944	-19,428	-23,584
II	Conservation	64,067	-6,374	-6,062
III	Trade (CCC)	3,411	0	0
IV	Nutrition	772,109	-4,000	-16,075
V	Credit	-2,665	0	0
VI	Rural Development	25	115	105
VII	Research and Related	214	681	546
VIII	Forestry	9	9	4
IX	Energy	750	780	0
X	Horticulture and Organic Ag	1,080	360	428
XI	Livestock	0		
XII	Crop Insurance	90,867	5,036	9,524
XIII	Commodity Futures	0		
XIV	Miscellaneous	0	-319	50
XV	Trade & Tax	0		

Appendix D. Summary of Average Annual Government Payments by Representative Farm Type and Overall.

FAPRI Baseline Price Scenario

	House Farm Bill		Senate Farm Bill		House Farm Bill		Senate Farm Bill		House Farm Bill		Senate Farm Bill	
	RLC	PLC	ARC Indiv.	ARC Cty.	RLC	PLC	ARC Indiv.	ARC Cty.	RLC	PLC	ARC Indiv.	ARC Cty.
	ARC or PLC or RLC Payments				SCO Net Payment				ARC or PLA or RLA Payments + SCO Payments			
Overall	22.6	39.9	19.3	20.2	0.0	56.7	22.0	22.0	22.6	96.5	41.2	42.1
FG/Oilseeds	25.1	23.7	20.5	21.5	0.0	74.3	24.3	24.3	25.1	98.0	44.8	45.8
Wheat	18.7	39.7	16.7	18.1	0.0	51.8	18.0	18.0	18.7	81.5	34.7	36.1
Cotton	17.0	42.2	16.7	16.6	0.0	36.9	17.6	17.6	17.0	79.1	34.3	34.2
Rice	28.2	63.9	22.2	23.6	0.0	62.0	26.2	26.2	28.2	126.0	48.5	49.9

Declining Price Scenario

	House Farm Bill		Senate Farm Bill		House Farm Bill		Senate Farm Bill		House Farm Bill		Senate Farm Bill	
	RLC	PLC	ARC Indiv.	ARC Cty.	RLC	PLC	ARC Indiv.	ARC Cty.	RLC	PLC	ARC Indiv.	ARC Cty.
	ARC or PLC or RLC Payments				SCO Net Payment				ARC or PLA or RLA Payments + SCO Payments			
Overall	55.3	119.5	40.9	41.3	0.0	39.2	15.2	15.2	55.3	158.7	56.1	56.5
FG/Oilseeds	62.4	115.2	45.2	46.0	0.0	51.9	17.0	17.0	62.4	167.1	62.2	63.0
Wheat	28.5	102.6	24.6	23.0	0.0	28.8	12.4	12.4	28.5	131.5	37.1	35.4
Cotton	22.8	74.2	23.8	22.4	0.0	25.6	12.2	12.2	22.8	99.8	36.0	34.6
Rice	101.9	191.4	66.2	69.7	0.0	42.2	17.8	17.8	101.9	233.6	84.0	87.5

FAPRI Estimated Major Crop Returns, Dollars per Acre, 2013-2017 Average

Commodity	Baseline	Senate	House
Corn	828.08	840.45	839.38
Soybeans	526.21	533.18	533.32
Wheat	295.57	301.33	305.77
Upland Cotton	824.34	851.75	853.52
Rice	993.75	1,014.91	1,058.65
Peanuts	955.76	983.17	1,006.78

FAPRI Estimated Major Crop Prices, 2013-2017

Bill	Commodity	2013	2014	2015	2016	2017
House	Corn	4.74	4.79	4.81	4.82	4.79
Senate	(\$/bu)	4.72	4.77	4.79	4.81	4.79
House	Cotton	.7627	.7742	.7909	.8011	.8019
Senate	(\$/lb)	.7626	.7732	.7903	.8011	.8017
House	Rice	12.46	12.51	12.88	13.27	13.44
Senate	(\$/cwt)	12.83	13.10	13.45	13.73	13.83
House	Soybeans	11.46	11.41	11.35	11.49	11.54
Senate	(\$/bu)	11.42	11.36	11.32	11.46	11.49
House	Wheat	5.65	5.78	5.95	6.09	6.09
Senate	(\$/bu)	5.65	5.82	6.01	6.13	6.12

Major Concerns

- Regardless of how conference negotiations go there will be less of a safety net for producers
- There will be Choices that Producers will need to make
 - Some hate and some embrace
- If you never took the time to master insurance programs – better get moving

What Next?

- Regardless of when bill is finished there will be a big shift from commodity program tools to manage risk to insurance tools
 - Insurance tools do not have floors
- Not a huge problem... just different than producers and lenders are used to
- Major education role
 - Big question for producers/lenders – will there be incentives to change insurance coverage due to higher subsidy levels from SCO/STAX etc