Cornhusker Economics Agricultural Economics Department

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Farm Bill Moves to Fast Track

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Cooperative Extension

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Market Report	Yr Ago	4 Wks Ago	7/13/01
Livestock and Products, Average Prices for Week Ending			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	$67.23	$ *	$71.19
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	*	95.25	96.74
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	107.14	103.93	108.72
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	107.00	117.94	108.19
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	*	53.50	49.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	41.00	45.52	40.10
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	131.70	138.40	133.70
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	82.50	72.62	58.50
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	190.00	171.00	165.79
Crops, Cash Truck Prices for Date Shown			
Wheat, No. 1, H.W. Omaha, bu	2.90	3.11	3.21
Corn, No. 2, Yellow Omaha, bu	1.49	1.67	1.93
Soybeans, No. 1, Yellow Omaha, bu	4.48	4.38	5.04
Grain Sorghum, No. 2, Yellow Kansas City, cwt	2.58	3.23	3.79
Oats, No. 2, Heavy Sioux City, IA , bu	1.20	1.46	*
Hay, First Day of Week Pile Prices			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	107.50	102.50	102.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	52.50	92.50	75.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	70.00	105.00	105.00

* No market.

Time to fish or cut bait with respect to a new farm bill. Six months ago, I would have bet on bait-cutting. Now, I'm not so sure. We just might go fishing before the year is over.

History is on the side of tardy completion of farm bills. In 1985 and 1990, bills were signed into law just days before the December 31 expiration of the old legislation. Then, in 1995, deliberations lagged even more. That year's farm bill was not completed until April, 1996. (Subsequently, it has come to be known as the 1996--not the 1995--farm bill).

Current legislation does not expire until December, 2002. Thus, it would be quite a change from the recent pattern to have a new farm bill approved a full year ahead of time. Why is that even a possibility?

Two responses seem appropriate. First, agricultural leaders in Congress concede that the current legislation is not working particularly well. This year will be the fourth straight year for late-season "emergency" payments to farmers. Critics say we should not start another crop year (2002) with an inadequate government safety net, taking a chance that supplemental payments will be approved.

Equally important, this year's congressional budget resolution provides $187.5 billion over the next 10 years for agricultural support programs. While this is a significant amount of money, it could change with next year's budget resolution if the money is not locked up this year. Some think it's best to do just that and not take a chance on tighter spending limits in the future.

Influenced by both factors, the House Agriculture

Committee is moving toward completing its version of new legislation by early August. The bill could be on the House floor for approval by that body sometime shortly after Labor Day.

The Senate Committee on Agriculture, Nutrition and Forestry is still in the hearings stage on its version of a bill. However, the process could gain momentum there as well, particularly if House action stimulates interest by agricultural groups in finalizing a bill this year.

A recent "draft farm bill concept paper" by Larry Combest (R.-TX.), chairman of the House Agriculture Committee, gives the first clues as to what may lie ahead with respect to farm policy. At this stage, the proposal has sections (titles) dealing with commodity supports, conservation, trade, research, nutrition and rural development. Since many producers are most interested in commodity supports, here are some of the chairman's key proposals:

1. Maximum cropping flexibility would be retained. That is, producers could continue to plant pretty much whatever they want. Moreover, no set-aside or other land-idling scheme would be provided for.

2. Marketing loans would be retained, but with some adjustments in rates to provide balance between crops. While corn and wheat loan rates would remain at $1.89/bu and $2.58/bu., respectively, soybeans would drop from $5.26 to $4.92. Sorghum, however, would increase from its current $1.71 to $1.89. Loan eligibility would continue to apply to all production, up to a payment limit of $75,000 for loan deficiency payments and/or marketing loan gains.

3. Fixed decoupled payments (currently called AMTA payments or PFC payments) would continue at 2002 rates. In what would be a major modification, oilseeds would be added to the list of crops receiving payments. The payment rate would be $0.34/bu. for soybeans with a comparable rate for minor oilseeds. Producers may update payments acres but not yields (which are now about 20 years old). Updated acreage would be average acres planted over the 1998-2001 period. The current per-person limit of $40,000 for fixed decoupled payments would be maintained.

4. Counter-cyclical payments based on target prices would be instituted, replacing the ad hoc emergency payments of recent years. Eligible producers would receive payments when a crop's price, adjusted for the fixed decoupled payment, drops below a target price. Target prices for corn, wheat and sorghum are at 1995 rates of $2.75/bu., $4.00/bu. and $2.61/bu., respectively. A new soybean target price would be set at $5.76/bu with a comparable target price for minor oilseeds. The payment limit for this part of the program would be $75,000 per person.

In addition to provisions for the mainline crops, the proposal also retains a government safety net for sugar, dairy, wool and mohair and peanuts. Perhaps surprisingly, however, nothing specific is offered to fruit and vegetable producers, even though many have asked for more support from the federal government.

Nebraska farmers may also want to note that funding for conservation programs including the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP) and the Environmental Quality Incentive Program (EQIP) would increase under the Combest plan. Even more so than the commodity provisions, these proposals likely will meet with favor on the Senate side. Chairman Tom Harkin (D.-IA.) has indicated, in fact, that he would like to make conservation the centerpiece of the Senate proposal.

Obviously much work remains to be done. But I expect real progress to be made in the weeks immediately ahead. The congressional ag committees seem determined to prove that they are not just cutting bait this year, while waiting for the fishing season of 2002.

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