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Market Report	Yr Ago	4 Wks Ago	7/8/05
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$85.07	$84.92	$81.61
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	143.40	141.16	146.84
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	130.48	115.72	117.90
Choice Boxed Beef, 600-750 lb. Carcass	141.48	144.00	135.60
Western Corn Belt Base Hog Price Carcass, Negotiated	77.14	67.23	67.42
Feeder Pigs, National Direct 45 lbs, FOB	41.12	51.88	48.14
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	82.25	67.25	65.45
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	97.50	114.62	*
National Carcass Lamb Cutout, FOB	232.99	257.68	253.10
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Omaha, bu	3.64	2.87	3.03
Corn, No. 2, Yellow Omaha, bu	2.35	1.81	1.94
Soybeans, No. 1, Yellow Omaha, bu	9.35	6.52	6.73
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.63	2.77	3.21
Oats, No. 2, Heavy Minneapolis, MN , bu	1.59	1.65	1.92
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	117.50
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	62.50	37.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	57.50	52.50

* No market.

With the inclusion of soybeans in the direct payment program and chickpeas, dry peas and lentils in the marketing loan program under the 2002 Farm Act, the question of whether or not to push for inclusion of dry beans in the 2007 legislation has been posed. There are a number of factors that need to be considered before making a major lobbying effort to get dry beans included in the 2007 Farm Bill. The key points will be discussed here.

The existing farm commodity program contains three specific methods of payment to agricultural producers. First, there are direct payments based on historical acres and yields that are received each year and are not tied to price levels or crop production. Second, counter cyclical payments are made to producers in years that prices drop below specific crop-by-crop levels. These payments are tied to historical yield levels, so they are not tied to actual production. Finally, the marketing loan program allows producers to profit from loan gains or loan deficiency payments (LDP). These payments are tied to actual yield and local price levels. The most recent crops added to the farm commodity program have entered through the marketing loan program, with soybeans then moving forward to direct and counter cyclical payments in the 2002 Farm Act. Chickpeas, dry peas and lentils were included in the marketing loan program in the 2002 Farm Act.

Present Program Status

Dry beans are presently classified under fruits and vegetables (FAV) in the farm program, limiting them from being planted on program acres without payment penalty. This has served to restrict the number of acres of dry beans planted in some areas. In Nebraska, we have a history of planting sugarbeets and dry beans, leaving us with few farms that have enough program acres to have concerns with FAV limitations. The benefit accrued from the FAV provisions is in the limited acres that can enter into dry bean production without some farm program penalty. Chickpeas were included in the marketing loan program in the 2002 Farm Act, and retained their FAV status giving them both market loans and the acreage protection. This may be an important consideration for dry bean producers.

Price Protection

Dry bean prices historically have been volatile with recent annual average prices for pinto beans ranging from less than

$14.00 per cwt to more than $33.00 per cwt. This volatility is one of the key concerns for dry bean producers, and the reason for interest in the farm commodity program as a potential price safety net. The marketing loan program would be a potential tool that could be used to set a loan rate high enough to insure some minimum price for dry beans that could be used by producers in planning for revenue from production. The price level for this program would need to be determined, with consideration given to the long term averages and the extremes in the market. Loan rates need to be high enough to insure producers of adequate revenue for the crop in years of very low prices, but not so high that the market has excess production on a continuous basis.

Significant effort will need to be completed to determine the proper price levels for the different classes of dry beans if a marketing loan program were to be implemented. The values should differ by market class, and will be critical to the success of the program.

Market Expansion

One of the reasons for inclusion in the marketing loan program is to stabilize prices allowing for potential increases in both domestic and export markets. Support for the loan program is based on the stabilization of prices, taking off the lower end for producers and likely lowering the top side prices with the expected increases in production. This would make dry beans more attractive to both domestic and export consumers. Price stability allows consumers to plan for expenditures in a competitive marketplace, and will have the potential to increase demand for dry beans. Recognizing the market classes where increased demand is possible will be a critical portion of this process.

Acreage Expansion

The implementation of a marketing loan program for chickpeas, dry peas and lentils has been a partial cause of record levels of production in lentils and dry peas for 2004. Table 1 shows the acres and production of program crop pulses for the past 5 years.

The acres harvested and production of all classes of dry peas and lentils, with the exception of chickpeas, have increased dramatically since the inception of the 2002 Farm Act. The potential exists for the same type of increases in dry bean production if a similar marketing loan program were to be introduced. Dry beans are a relatively easy, and low cost, entry and exit crop if the producer is already set up for row crops and owns a combine. There is little specialized equipment needed for dry beans, and the production system is not complex. With these incentives, it should be expected that the increase in dry pea and lentil acreage would be repeated in dry beans with the inception of a marketing loan program. The one possible mitigating factor could be the continued FAV designation for dry beans. If producers were able to retain the FAV designation and get a marketing loan program, the potential increase in dry bean acres may be reduced, but not entirely eliminated.

Price Response

Grower prices for dry peas and lentils were off from 6 percent to nearly 20 percent from 2003 to 2004. The increase in production has lowered prices, but the implementation of the loan program has mitigated some of the loss in prices. The value of loan deficiency payments (LDPs) for dry peas in 2004 was $28.6 million. Lentil prices remain above loan rate, and chickpeas netted only $89,000 in LDPs in 2004. Dry bean prices could be expected to stabilize with the implementation of a marketing loan program, but where that price stabilizes may be of concern.

Lower prices often result in increased export volume with an expectation of continued growth. Exports are up nearly 25 percent for some of the pulse crops. If the loan program for dry beans were to adjust prices to lower levels, it may also be possible to see increases in exports as U.S. product becomes more price competitive.

Budget Questions

As recently as early February 2005, the current administration proposed significant cuts in ag programs in the projected budget. There are no indications that this will not continue to be the norm for this administration as we move forward. The common expectation is that current levels of farm program funding will be difficult to maintain in the 2007 Farm Bill, and any new spending will come at the expense of current programs. If this is the case, getting dry beans written into the next farm bill may be extremely challenging.

WTO Questions

As we look at the next round of WTO negotiations, the agriculture subsidies around the world are expected to be under significant scrutiny. With the implication of something like a marketing loan program for dry beans, it would add to the price distorting programs already in place, increasing the concern with these types of programs. The rest of the world is expecting the U.S. to reduce the number of price distorting programs that we are funding, and an increase in marketing loan programs would be contrary to this ideal.

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Table 1. U.S. Dry Peas and Lentils: Production by Class, 2000 - 2004

	2000		2001		2002		2003		2004	
Item	Acres Harvest	1,000 cwt	Acres Harvest	1,000 cwt	Acres Harvest	1,000 cwt	Acres Harvest	1,000 cwt	Acres Harvest	1,000 cwt
Dry Peas	176,000	3,474	192,300	3,763	285,500	4,727	328,500	5,202	500,800	10,831
Austrian Winter Peas	4,100	73	7,500	103	13,000	183	15,600	174	21,500	272
Chickpeas	105,200	1,334	128,500	1,612	74,100	861	41,400	417	43,400	567
Lentils	214,000	3,029	197,000	2,898	215,000	2,571	237,000	2,442	322,000	4,084
Total	499,300	7,910	525,300	8,376	587,600	8,342	622,500	8,235	887,700	15,754