USDA Budget

FY 2006 Budget Outlays

- Farm and Commodity Programs: 26%
- Food Assistance: 54%
- Conservation and Forestry: 11%
- Rural Development: 3%
- Research, Inspection and Administration: 4%
- International: 2%
Farm Bill 2007

- Extend current program
- Maintain program with significant modifications
- Make major changes
Timeline

- March – Budget baseline from Budget Committees
- April – Budget Resolution
- April to June – Mark up
- July – Debate
- Sept. – Conference
Fall Back

- If Farm Bill is not re-authorized by 2008:

**Agricultural Adjustment Act of 1949**
Dynamics

- Political
- Budget
- Trade Policy
- Consensus
Interests

- Cotton, peanuts, and rice – same
- Wheat and oilseeds – slight modification
- Corn – significant change
- Dairy – same (MILC)
- Specialty crops – additional funds
Nuances

- Energy title (grants)
- Rural development
- Permanent disaster offsets of $7-11 billion new funds
- Trade Promotion Authority (June)
- WTO
Administration

- Equitable, Predictable, and Beyond Challenge
- Major changes
- Proposal released Jan 31st
- Timing
USDA Proposal
Title I - Commodities

- Convert price based CCP to revenue based payment
- Reform marketing loan program
  Market-based loan rates:
  85% of 02-06 Olympic Avg prices with max loan rates House 02 Bill
USDA Proposal
Title I - Commodities

- Replace daily PCPs with monthly PCP (except cotton). LDP and loan repayment rate based on month beneficial interest is lost
USDA Proposal
Title I - Commodities

- Increase overall direct payments particularly over 2010-2012
- Increase direct payments to beginning growers by 20% for 5 yrs
- Payment limit reform ($360 per person/$200 AGI)
  No separate limits ($110/$110/$140)
USDA Proposal
Title I - Commodities

- No payments on land sold not for ag purposes
- Continue MILC reduced to historical payment rate
- Step 1 and Step 3 repeal
- Elimination of planting limitations
USDA Proposal
Title I - Commodities

- Conservation Enhanced Payment Option
  (10% of direct, CSP progressive tier)
- Authority to address WTO compliance
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Units</th>
<th>Current</th>
<th>Average of Proposed Loan Rates over 2008-2012</th>
<th>Proposed Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$/bu</td>
<td>2.75</td>
<td>2.58</td>
<td>2.58</td>
</tr>
<tr>
<td>Corn</td>
<td>$/bu</td>
<td>1.95</td>
<td>1.89</td>
<td>1.89</td>
</tr>
<tr>
<td>Sorghum</td>
<td>$/bu</td>
<td>1.95</td>
<td>1.89</td>
<td>1.89</td>
</tr>
<tr>
<td>Barley</td>
<td>$/bu</td>
<td>1.85</td>
<td>1.70</td>
<td>1.70</td>
</tr>
<tr>
<td>Oats</td>
<td>$/bu</td>
<td>1.33</td>
<td>1.21</td>
<td>1.21</td>
</tr>
<tr>
<td>Upland Cotton</td>
<td>$/lb</td>
<td>0.52</td>
<td>0.4570</td>
<td>0.5192</td>
</tr>
<tr>
<td>ELS Cotton</td>
<td>$/lb</td>
<td>0.7977</td>
<td>0.7965</td>
<td>0.7965</td>
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<tr>
<td>Rice</td>
<td>$/cwt</td>
<td>6.50</td>
<td>6.50</td>
<td>6.50</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$/bu</td>
<td>5.00</td>
<td>4.92</td>
<td>4.92</td>
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<tr>
<td>Other Oilseeds</td>
<td>$/lb</td>
<td>0.093</td>
<td>0.087</td>
<td>0.087</td>
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<tr>
<td>Peanuts</td>
<td>$/ton</td>
<td>355</td>
<td>336</td>
<td>350</td>
</tr>
</tbody>
</table>
PCP EXAMPLE: COMPARISON OF ACTUAL AND ALTERNATIVE PCPs FOR CORN

$ Per Bushel

1.00 1.50 2.00 2.50 3.00 3.50

9/30/03 11/12/03 1/12/04 3/12/04 5/12/04 7/12/04 9/12/04 1/12/05 3/12/05 5/12/05 7/12/05 9/12/05 1/12/06 3/12/06 5/12/06 7/12/06 9/12/06

- Daily PCP
- Current Month Average PCP
## Increase Direct Payments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn ($/bu)</td>
<td>0.28</td>
<td>0.28</td>
<td>0.30</td>
</tr>
<tr>
<td>Sorghum ($/bu)</td>
<td>0.35</td>
<td>0.35</td>
<td>0.37</td>
</tr>
<tr>
<td>Barley ($/bu)</td>
<td>0.24</td>
<td>0.25</td>
<td>0.26</td>
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<tr>
<td>Oats ($/bu)</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Wheat ($/bu)</td>
<td>0.52</td>
<td>0.52</td>
<td>0.56</td>
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<tr>
<td>Soybeans ($/bu)</td>
<td>0.44</td>
<td>0.47</td>
<td>0.50</td>
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<tr>
<td>Rice ($/cwt)</td>
<td>2.35</td>
<td>2.35</td>
<td>2.52</td>
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<tr>
<td>Upland Cotton (cents/lb)</td>
<td>6.67</td>
<td>11.08</td>
<td>11.08</td>
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<tr>
<td>Peanuts ($/ton)</td>
<td>36.00</td>
<td>36.00</td>
<td>38.61</td>
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<tr>
<td>Other Oilseeds ($/cwt)</td>
<td>0.80</td>
<td>0.80</td>
<td>0.857</td>
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<tr>
<td>----------------------------</td>
<td>----------------------------------------</td>
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<tr>
<td>Barley (bu.)</td>
<td>$0.25</td>
<td>$0.28</td>
<td>$0.26</td>
</tr>
<tr>
<td>Corn (bu)</td>
<td>$0.28</td>
<td>$0.31</td>
<td>$0.30</td>
</tr>
<tr>
<td>Grain Sorghum (bu)</td>
<td>$0.35</td>
<td>$0.39</td>
<td>$0.37</td>
</tr>
<tr>
<td>Oats (bu)</td>
<td>$0.02</td>
<td>$0.02</td>
<td>$0.03</td>
</tr>
<tr>
<td>Other Oilseeds (cwt)</td>
<td>$0.80</td>
<td>$0.88</td>
<td>$0.86</td>
</tr>
<tr>
<td>Peanuts (ton)</td>
<td>$36.00</td>
<td>$39.60</td>
<td>$38.61</td>
</tr>
<tr>
<td>Rice (cwt)</td>
<td>$2.35</td>
<td>$2.59</td>
<td>$2.52</td>
</tr>
<tr>
<td>Soybeans (bu)</td>
<td>$0.47</td>
<td>$0.52</td>
<td>$0.50</td>
</tr>
<tr>
<td>Upland Cotton (lb)</td>
<td>$0.11</td>
<td>$0.12</td>
<td>$0.11</td>
</tr>
<tr>
<td>Wheat (bu)</td>
<td>$0.52</td>
<td>$0.57</td>
<td>$0.56</td>
</tr>
</tbody>
</table>
Revenue CCP

(‘02 Tgt-DP $)(Nat Olympic avg yield 02-06)=
National Target Revenue (NTR)

(National avg yield)(higher of loan or SAP*)=
National Actual Revenue (NAR)

\[
\frac{\text{NTR-NAR}}{\text{US avg payment yield/base acre}} = \text{CCP Nat avg pay rate}
\]

* SAP = Season Average Market Price
Revenue CCP

Producer’s payment = (Nat avg pay rate)(Farm yield)(85%)
Revenue CCP - Example

- Cotton

National Avg Yield:  
02  652* 
03  723 
04  843* 
05  825 
06  811 

Olympic Average  786
Revenue CCP – Cotton Example

Tgt - DP = $0.724 - $0.067 = $0.6573
NTR = (786)($0.6573) = $517 per acre
NAR = (652)*($0.60) = $391 per acre
Revenue shortfall = $126 per acre

US ccp yield =~650 lbs/ac
US national cc payment:
$126/650 = $0.19 per lb
Producer payment per acre =

\[(\text{Farm cc yield})(\$0.19)(0.85)(665 \text{ lb/ac})(\$0.1615) = \$107 /\text{acre}\]
### Revenue CCP - Example

**Peanuts**

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
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</thead>
<tbody>
<tr>
<td>02</td>
<td>2571*</td>
</tr>
<tr>
<td>03</td>
<td>3159*</td>
</tr>
<tr>
<td>04</td>
<td>3076</td>
</tr>
<tr>
<td>05</td>
<td>2989</td>
</tr>
<tr>
<td>06</td>
<td>2874</td>
</tr>
</tbody>
</table>

**Olympic Average**

2980
Revenue CCP – Peanut Example

\[(\$495 - \$36)(2980/2000) = \$684 \text{ NTR} \]
\[(\$420)(2571/2000) = \underline{\$540 \text{ NAR}} \]

Revenue shortfall = \$144 \text{ avg pr}

\[\underline{\$144 \text{ apr}} = \$0.051 \text{ ccp} \]

2830 \text{ avg pay yield}
Revenue CCP – Peanut Example

Producer payment per acre =
(Farm cc yield)(cc rate)(85%)

\[(2800)(0.051)(0.85) = 121 \text{ /acre}\]
“It ain’t over until its over”

Yogi Berra
Wes Harris
Center for Agribusiness and Economic Development

wlharris@uga.edu

912.871.6130
EMERGENCY FARM RELIEF ACT OF 2007

UNITED STATES SENATE
S. 284
January 12, 2007
Basic Ad Hoc Disaster Bill

- 2005 AND/OR 2006 crop years
- 65% of production (with cap)
- 45% of price w/insurance
- 20% of price w/o insurance
- Quality adjustment
- Livestock compensation program
- Livestock indemnity program