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What's Ahead for Farm Programs?

Roy Frederick

Professor and Extension Economist

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

What's Ahead for Farm Programs?

Market Report	Yr Ago	4 Wks Ago	5/25/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$69.76	\$75.36	\$76.78
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	*	101.77	100.04
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	94.92	103.07	100.05
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	112.96	114.87	119.24
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	45.50	50.25	52.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	51.00	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	108.45	122.60	104.70
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	97.37	90.00	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	210.00	*	174.60
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.02	3.29	3.24
Corn, No. 2, Yellow Omaha, bu	2.07	1.77	1.67
Soybeans, No. 1, Yellow Omaha, bu	5.04	4.13	4.31
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.92	3.32	3.24
Oats, No. 2, Heavy Sioux City, IA, bu	1.26	1.40	1.50
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	47.50	82.50	82.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	67.50	105.00	105.00
* No market.			

At a family gathering over the long Memorial Day week-end, a shirttail relative used this for a conversation starter: "So, have you got the new farm bill figured out?" My response was a quick and unequivocal "no." In fact, the whole process becomes more uncertain as the Democrats assume majority control of the U.S. Senate.

The House Agriculture Committee originally had planned to complete at least the commodity titles (sections) of a new farm bill by July 11, 2001. More recently, the House target date has been pushed back to August. The leadership on that panel still holds out hope that new commodity provisions might be applicable for 2002 crops, even though the current farm bill runs through next year.

Notwithstanding the aggressive schedule in the House, it always has been far from a sure thing that a new farm bill could be completed this year. Mostly because the current chair of the Senate Committee on Agriculture, Nutrition and Forestry, Richard Lugar (R-IN), saw no reason to hurry. (He took the same approach in 1996, when the revolutionary Freedom to Farm bill passed in the House, ultimately forcing the Senate Committee to accept its provisions as well).

Now, however, even any timid bets about future farm legislation are off. That's because leadership of the Senate Committee switches to Tom Harkin (D-IA) on June 5, 2001. Granted, indications are that Harkin would like to move quickly on new farm bill provisions. He's joined in that sentiment by the new majority leader in the Senate, Tom Daschle (D-SD). How-



ever, the approach taken by the leadership in the two congressional bodies is likely to vary significantly. I expect it to take many months to iron out their differences.

Based on recent testimony to the House Agriculture Committee by general farm organizations and commodity groups, one is left with the impression that many provisions of the current price and income support programs would remain. Specifically, most organizations supported continuation of production flexibility contracts, nonrecourse (and/or marketing) loans and planting flexibility. Notable exceptions were the National Farmers Union and the National Corn Growers Association. The NFU wants to abandon production flexibility contracts and depend more heavily on higher loan rates. The NCGA proposed a novel scheme of recourse loans and new countercyclical payments based on revenue received in the 1996-2000 period.

Most of those who testified opposed supply management (acreage reduction) and storage (grain reserve) programs, with the NFU being a notable exception. While not as all-encompassing as the NCGA, almost every group wanted to lock in some type of countercyclical payments for years of low revenue. (Emergency payments like those of the past three years were deemed too uncertain).

Across the board the conservation reserve program was lauded, with a number of groups recommending expansion beyond the current maximum of 36.4 million acres. Other conservation programs also drew support, with differences being primarily over the amount of money to be spent on such programs.

The American Farm Bureau Federation proposed spending \$1.5 billion to support fruit and vegetable producers. Some observers say that expansion of supports to additional commodities will be one of the flash points of the forthcoming debate.

Returning to the Senate Committee, Harkin traditionally has supported farm policy more in line with the NFU than the AFBF. That could be a factor in the type of price and income support provisions that emerge from the committee. At this point, it seems possible that radically different versions of a support system might emerge from the two committees. How

such different versions might be resolved, ultimately in a conference between representatives of the two committees, is anybody's guess. Other things to look for from the Senate committee include the following:

- ! Harkin recently introduced a bill that he calls the Conservation Security Act. It would encourage a number of conservation practices, including incentives to reduce greenhouse gas emissions and to produce crops such as switchgrass that might be used for energy production. Some form of this proposal now stands a good chance of being included in the farm bill. Comprehensive conservation plans could result in direct payments from the federal government of up to \$50,000 per farm.
- ! Concentration within the agricultural sector is a big concern to Harkin and a number of his colleagues. Some producer groups are urging Congress to include a title in the new farm bill that addresses the concentration issue. The fact that the mandatory price reporting system for the livestock/meat sector, which began on April 2, 2001, has not worked particularly well gives momentum to this idea.
- ! Questions about payment limits to individual farmers will almost surely be revisited. Harkin has focused most of his attention on medium-sized and smaller farmers in the past. If that pattern continues, the question of who gets paid and how much will be a significant issue.

Farm bills almost always offer unexpected twists and turns. Perhaps the 1996 act offered more than its share. But with the change in Senate leadership, I think we may be in for equally significant surprises as new legislation is developed in the months ahead.

Roy Frederick, (402) 472-6225
Professor and Extension Economist