

# How will the new Farm bill affect Cattle Producers?

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# That Depends!



# General Farm Bill Overview

- 5 year farm bill beginning in 2008 and ending in 2012
  - A number of provisions do not take effect until the 2009 crop year
- Comprehensive bill covering:
  - **Commodity programs**
  - **Conservation**
  - Trade
  - Nutrition Programs
  - Credit
  - Rural Development
  - Research and Related Matters
  - Forestry
  - **Energy**
  - **Horticulture and Organic Agriculture**
  - **Livestock**
  - **Crop Insurance and Disaster Assistance Programs**
  - **Commodity Futures**
  - **Trade and Tax Provisions**
  - Miscellaneous



New titles in  
2008 FB

# 4 C's for Livestock (and an E)



- COOL
- Competition
- Conservation
- **Commodities**
- Energy

# COOL Rule Implementation and Implications

- Interim final rule expected near end of July for September 30 implementation of Mandatory Cool
- Recordkeeping for livestock producers effectively starts July 15

# Competition

- **Competitive markets**
  - Electronic access to information from Livestock Mandatory Reporting Act (§11001)
  - Amends definition of “association of producers” in the Agricultural Fair Practices Act (§11003)
  - Oversight of USDA enforcement of Packers and Stockyards Act (§11004)
- **Contracting**
  - Production Contracts (§11005)
    - Producer right to cancel poultry and swine contracts for not less than 3 days
    - Conspicuous disclosure of additional capital investments that may be required in poultry and swine contracts
    - Choice of law and venue for poultry and swine contract dispute litigation
    - Mandatory arbitration clauses cannot be mandatory part of livestock or poultry contracts
  - Establishment of criteria defining reasonable time for remedy of breach of poultry or swine contracts (§11006)
- **No packer ban**
  - Senate proposed language banning packer ownership, feeding, or control of livestock
  - Language removed in conference

# Conservation

- Working lands programs
  - CSP – livestock issues in resource concerns or conservation activities
    - Targeted at 12.8 million acres (\$18 per acre)
  - EQIP – 60% of funds target livestock production practices
    - Increase to \$1.75 billion by 2012
- Reserve programs
  - CRP – Enrollment cap reduced to 32 million
    - Haying and grazing provision revisited in rules
  - WRP expanded to 3 million acres
- Preservation programs
  - GRP



# Energy

- \$ 1 billion for renewable energy program that augment investments in new technology, new feedstocks, and facilities.
- Includes utilization of animal manure.
- Shift in support to cellulosic from grain based.

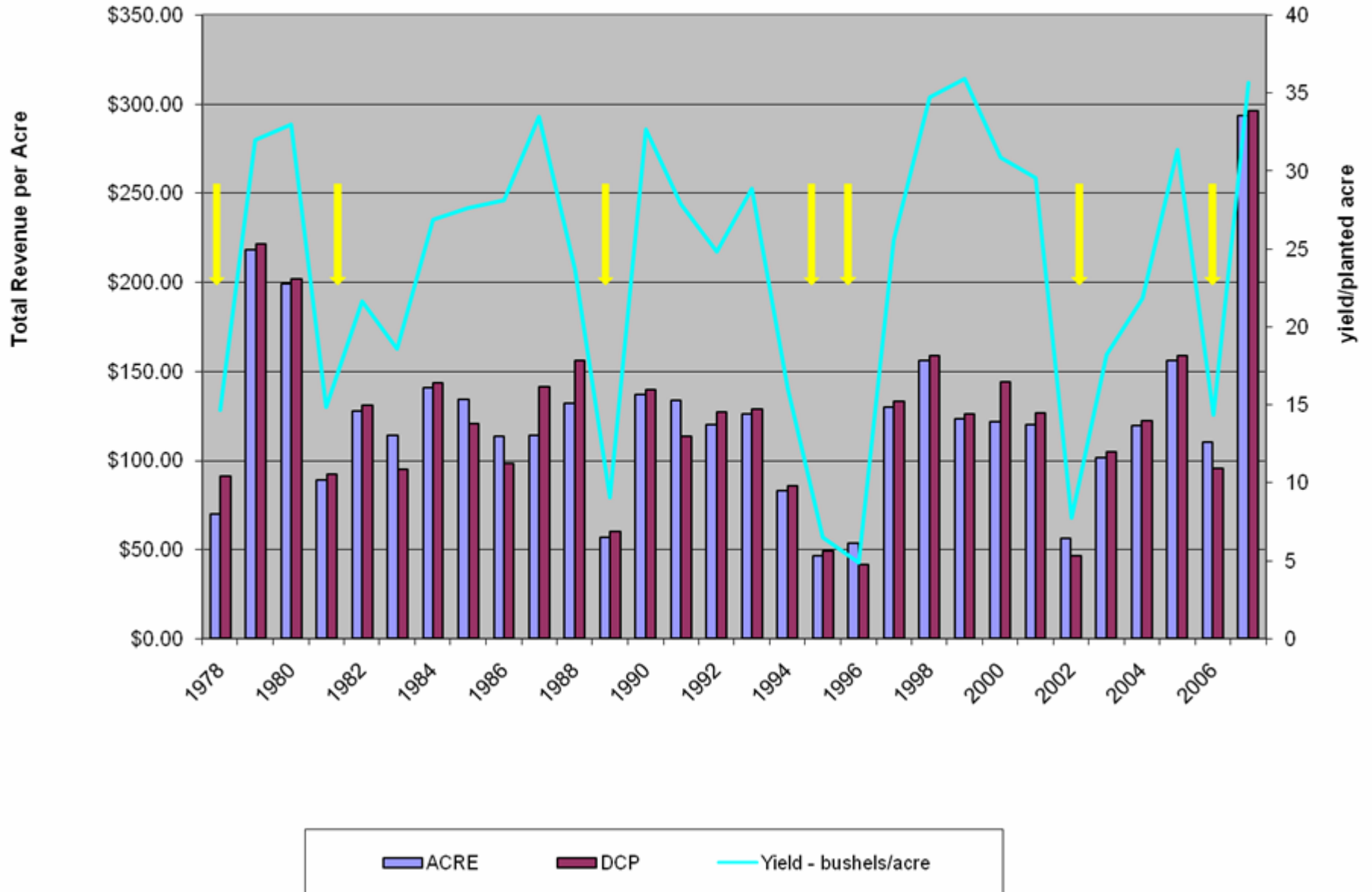
# Commodities

- Four Major Changes
  - ACRE
  - Payment limits
  - AGI eligibility criterion
  - LDP posted county prices
- As a condition to receive benefits, bill requires producers to submit annual acreage reports and annual production reports

# ACRE: Implications

- Will ACRE provide sufficient revenue coverage to encourage and maintain excess capacity?
  - Probably not any better at aiding farmers with short term, sharp declines in income.
- Will land use become more diverse and more variable?
  - Movement into ACRE will increase single crop focus.

Comparison of ACRE and DCP for Wheat  
 Texas County, Oklahoma  
 \$4.55 long run average price/bu



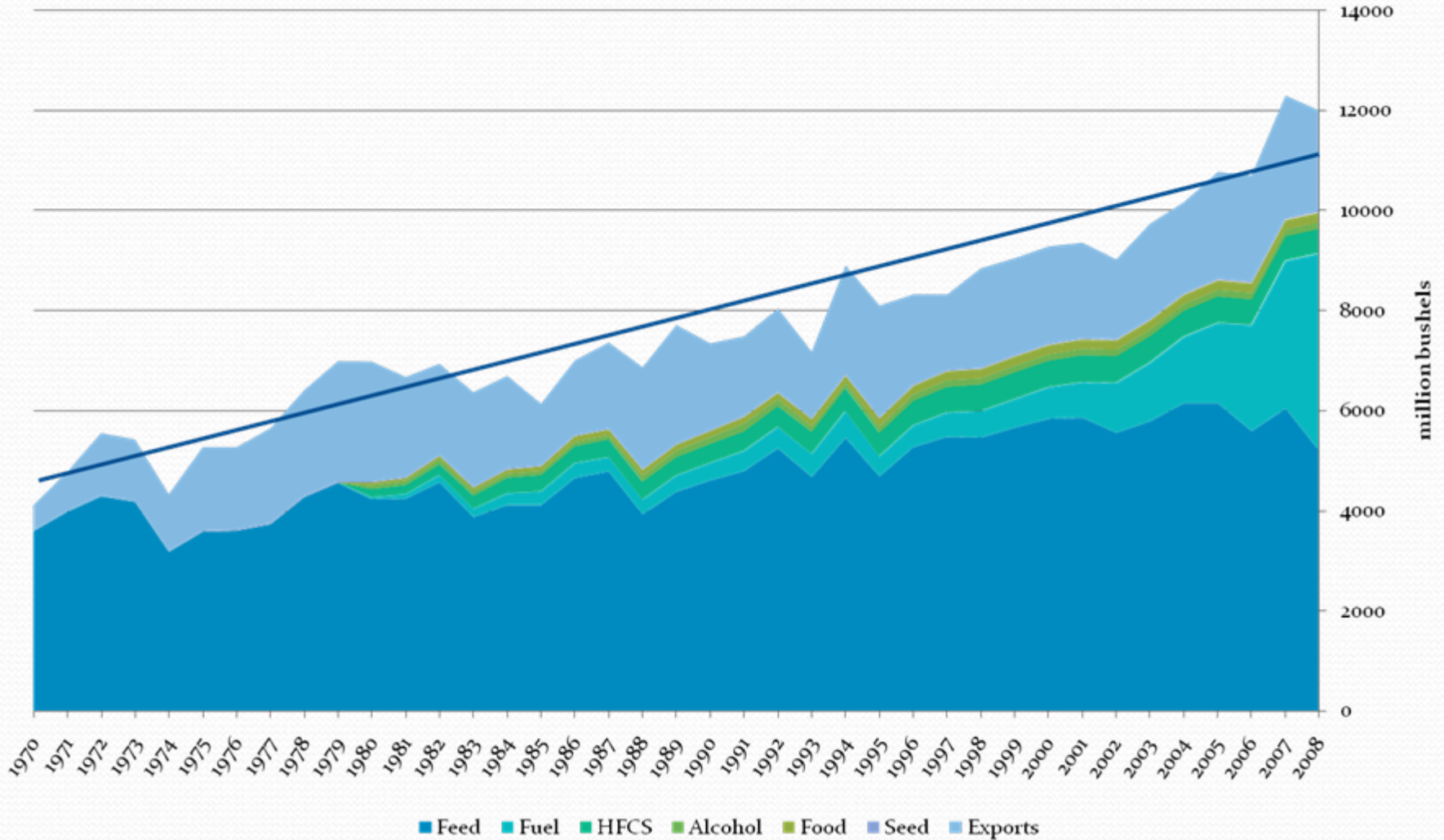
# Comparison of DCP and ACRE

**\$4.55/bu long run average price**

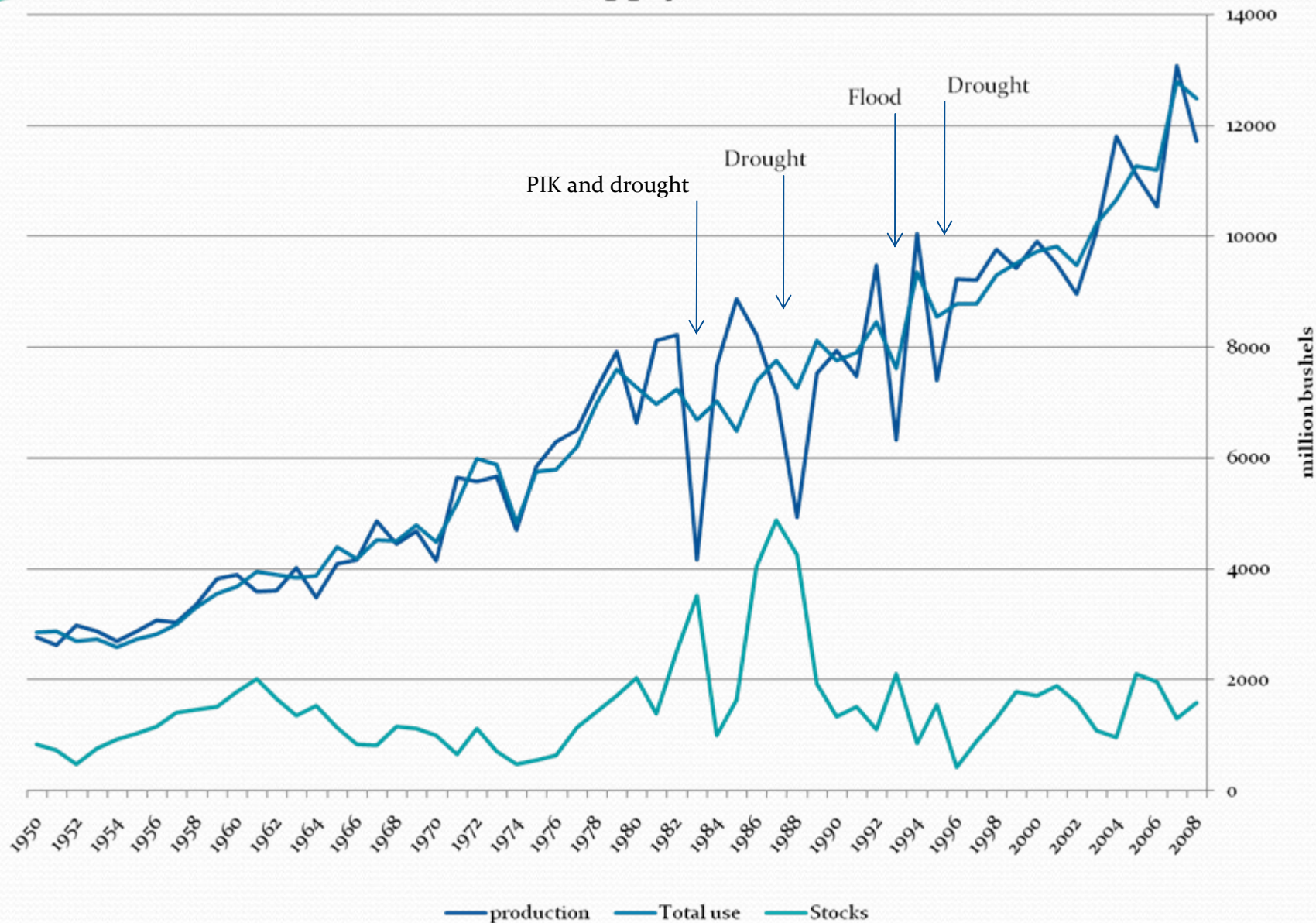
	Kingfisher		Tillman		Texas	
	ACRE	DCP	ACRE	DCP	ACRE	DCP
Average Revenue	\$116.72	\$116.53	\$117.05	\$116.86	\$105.99	\$104.18
Range	\$74.94	\$87.99	\$156.93	\$165.67	\$172.33	\$190.27
Minimum	\$91.15	\$81.08	\$66.56	\$60.81	\$29.87	\$14.90
Maximum	\$166.08	\$169.06	\$223.49	\$226.47	\$202.19	\$205.18
Years of ACRE	7		10		10	
Years of DCP	5		5		5	
Years of Both	0		1		1	

# What Impact of Commodity Programs on Prices?

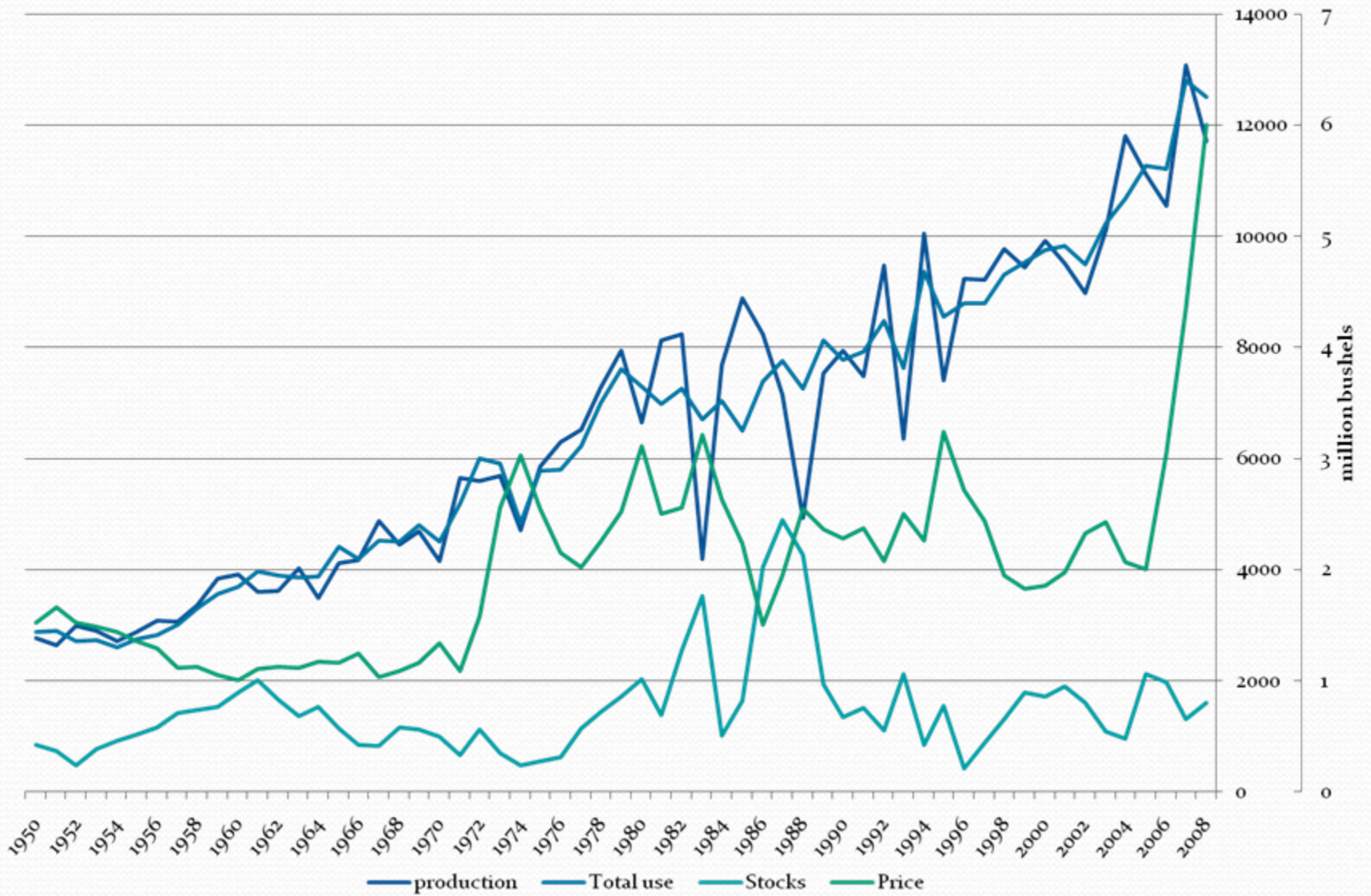
## Uses of Corn



# Corn U.S. Supply and Demand



# Corn U.S. Supply and Demand



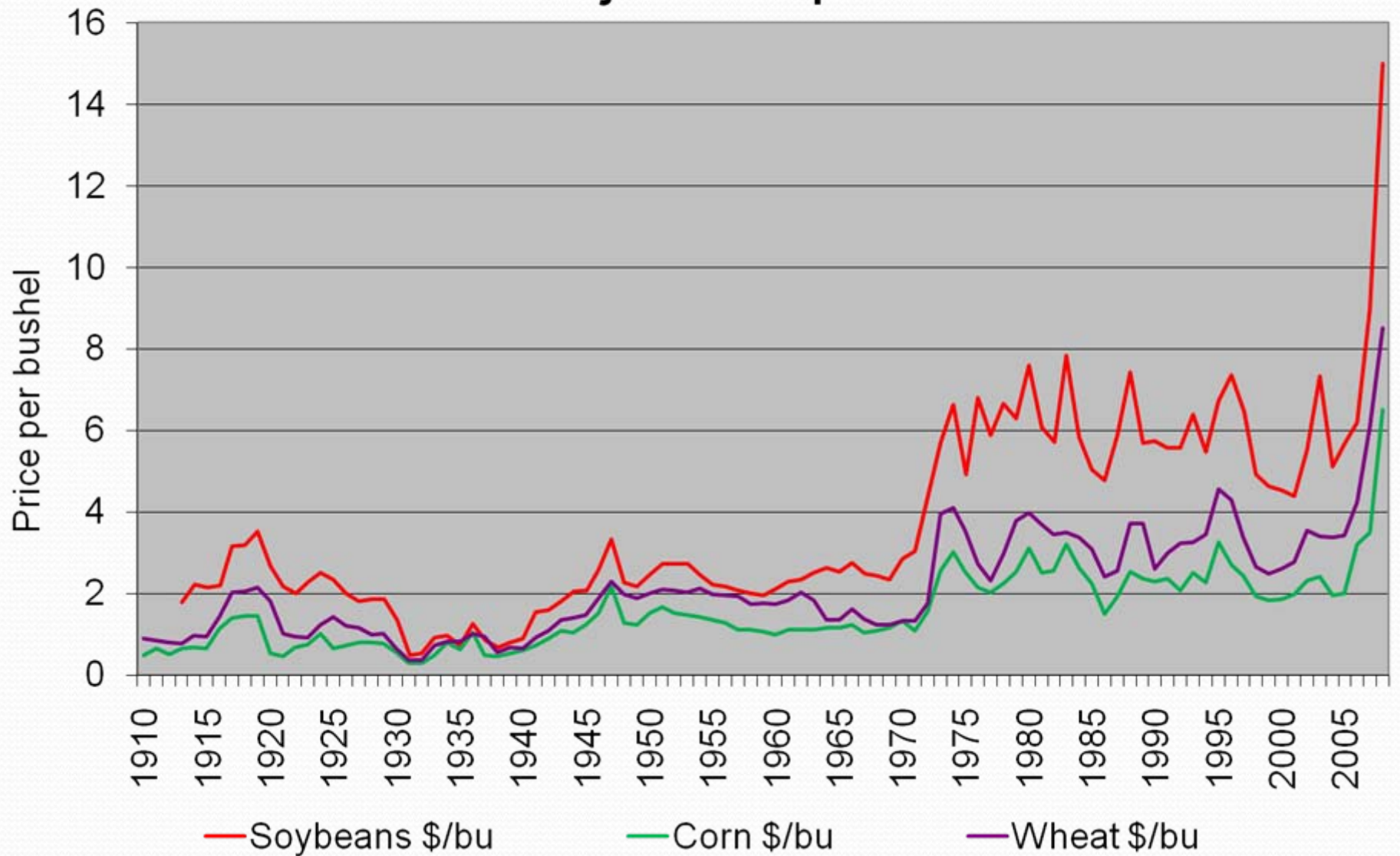
# Supplemental Revenue (SURE): Implications

1. **SURE most benefits areas with higher yield variability (*ceteris paribus*). Yield variability increases the chance of a county disaster designation (50% or more decline in a farm's production).**
2. **SURE most benefits single-crop farms because crop diversification reduces revenue variability (*ceteris paribus*). Thus, SURE could affect crop rotation decisions.**
  - ▶ **Will farmers adopt an all-crop alternative year rotation, (100% corn one year; 100% soybeans the next year)?**
  - ▶ **Will farmers eliminate small acreage crops, such as wheat in the Midwest?**

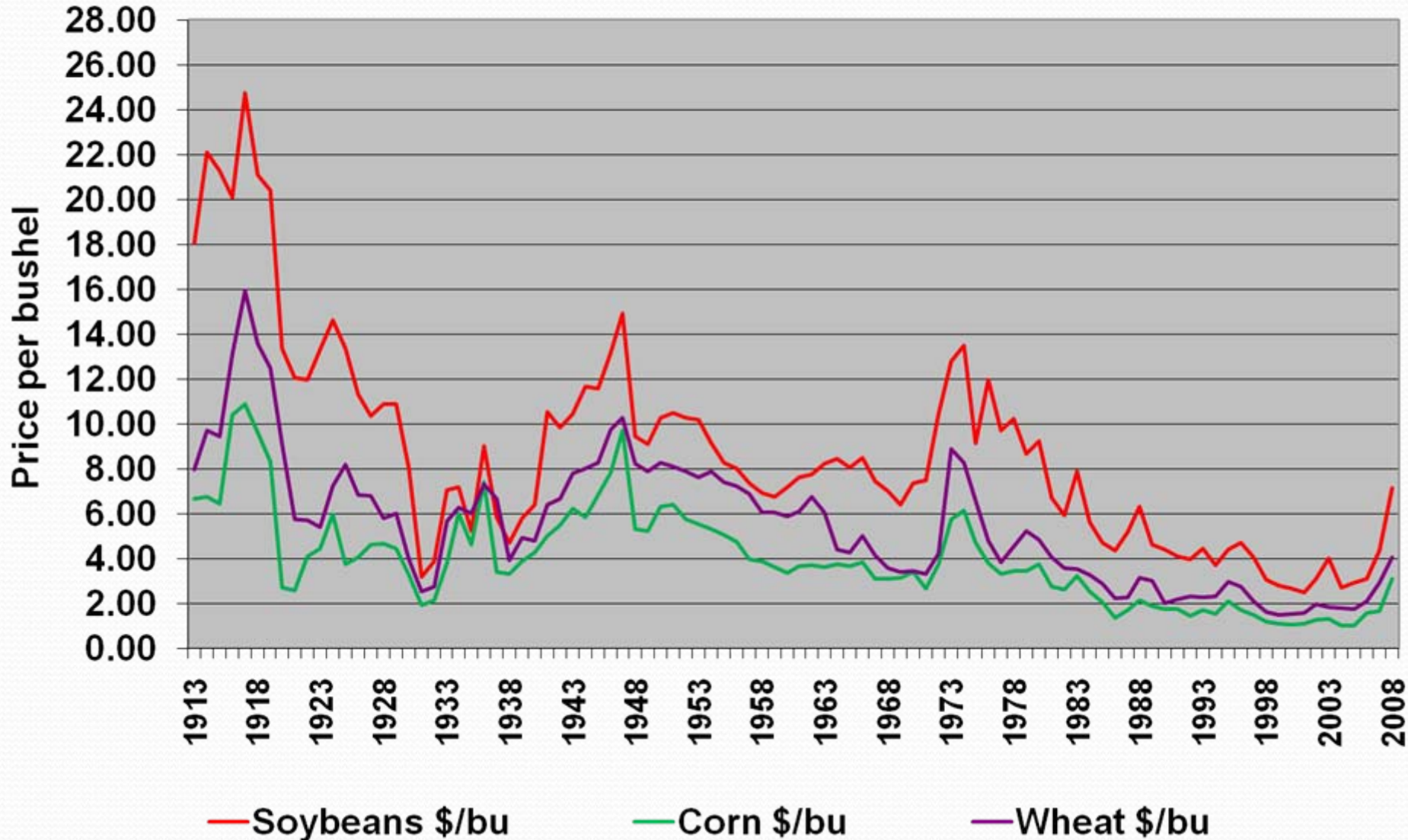
# Commodity Programs

- *(d) ADJUSTMENT AUTHORITY RELATED TO TRADE AGREEMENTS COMPLIANCE.—*
  - (1) REQUIRED DETERMINATION; ADJUSTMENT.—If the Secretary determines that expenditures under this title that are subject to the total allowable domestic support levels under the Uruguay Round Agreements (as defined in section 2 of the Uruguay Round Agreements Act (19 U.S.C. 3501)) will exceed such allowable levels for any applicable reporting period, **the Secretary shall, to the maximum extent practicable, make adjustments in the amount of such expenditures ....***
- **U.S. says ready to cut farm aid to \$15 billion**  
Reuters  
Tuesday, July 22, 2008; 8:54 AM
- actual subsidy payments - above \$15 billion a year in seven of the last 10 years during which period the average payout was about \$17 billion

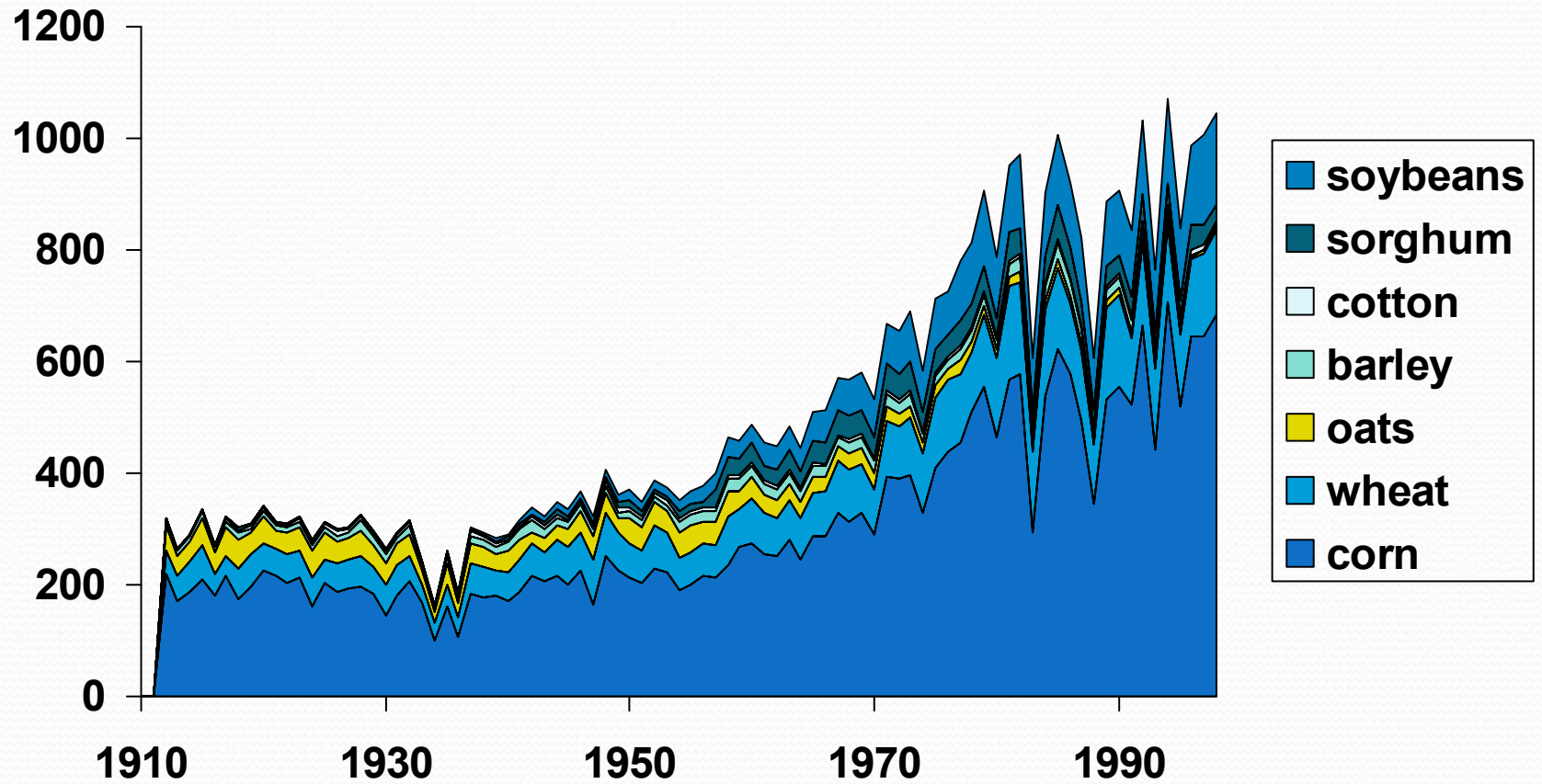
# Prices of Major Crops



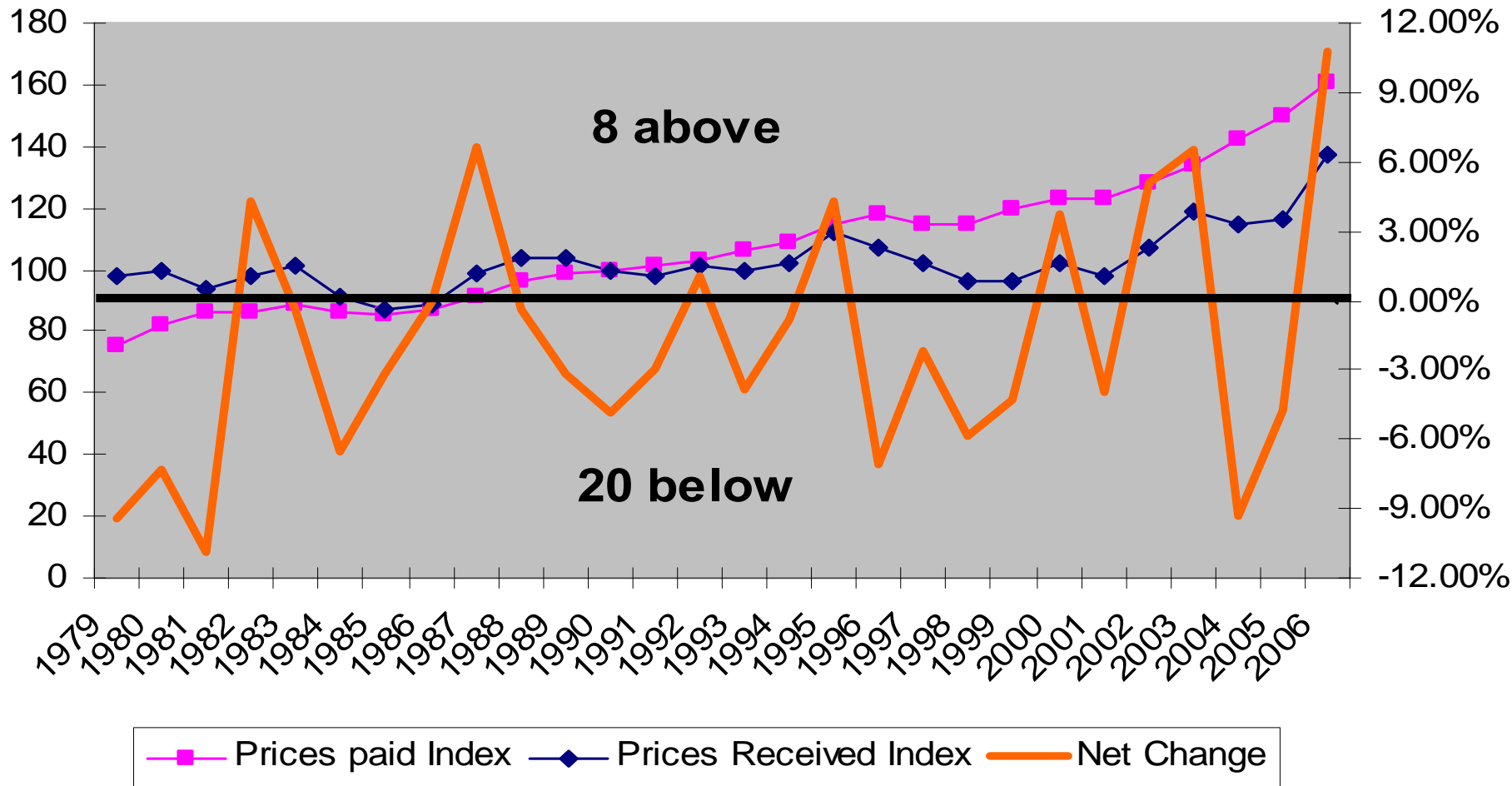
# Real Prices of Major Crops 1983 based CPI



# U.S. Agriculture: Production



# Index of Prices Paid and Received



**Increase**

**Costs**

**Prices**

**Net**

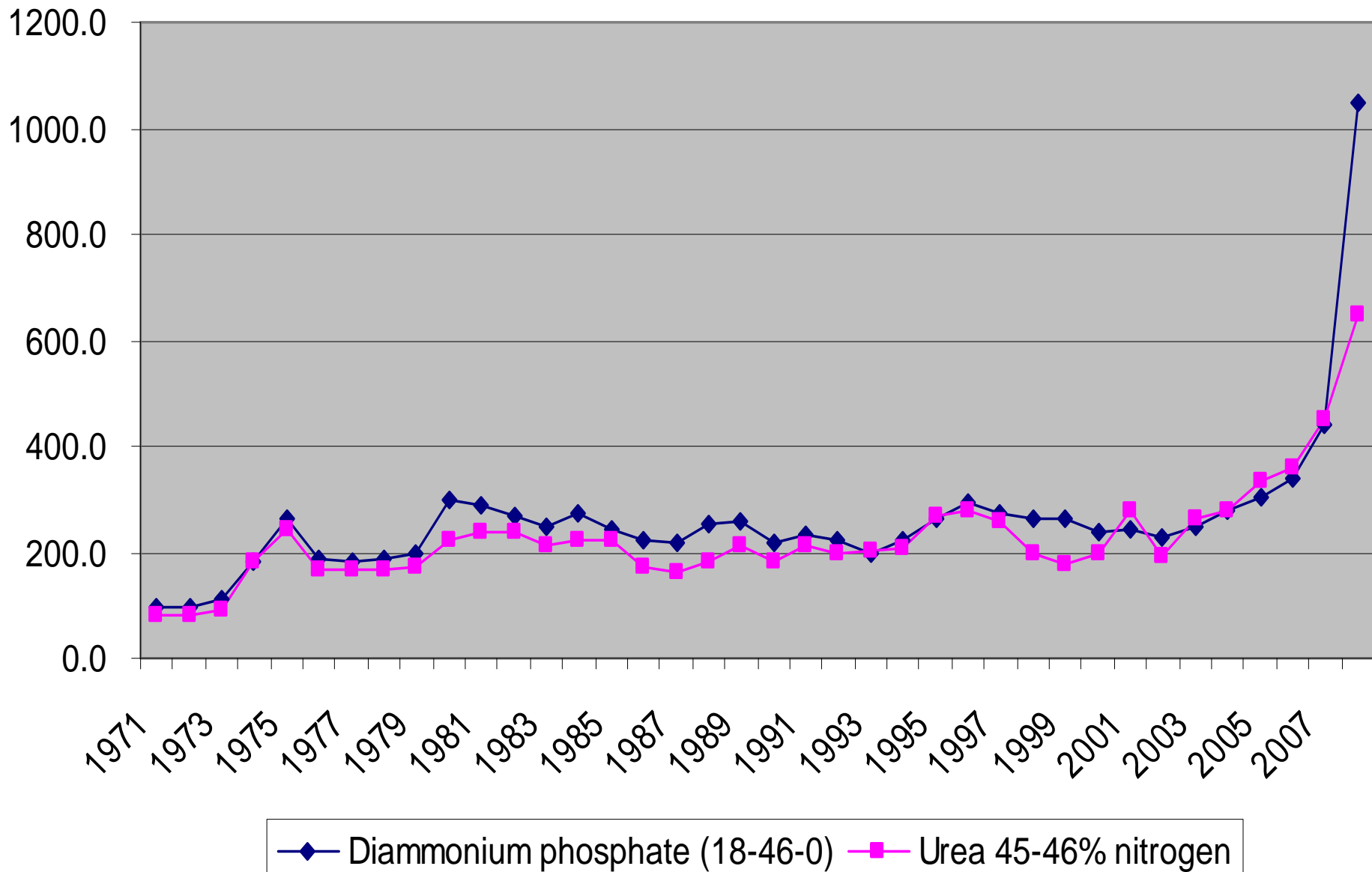
**Aggregate Change over 28 years:**

**92.21%**

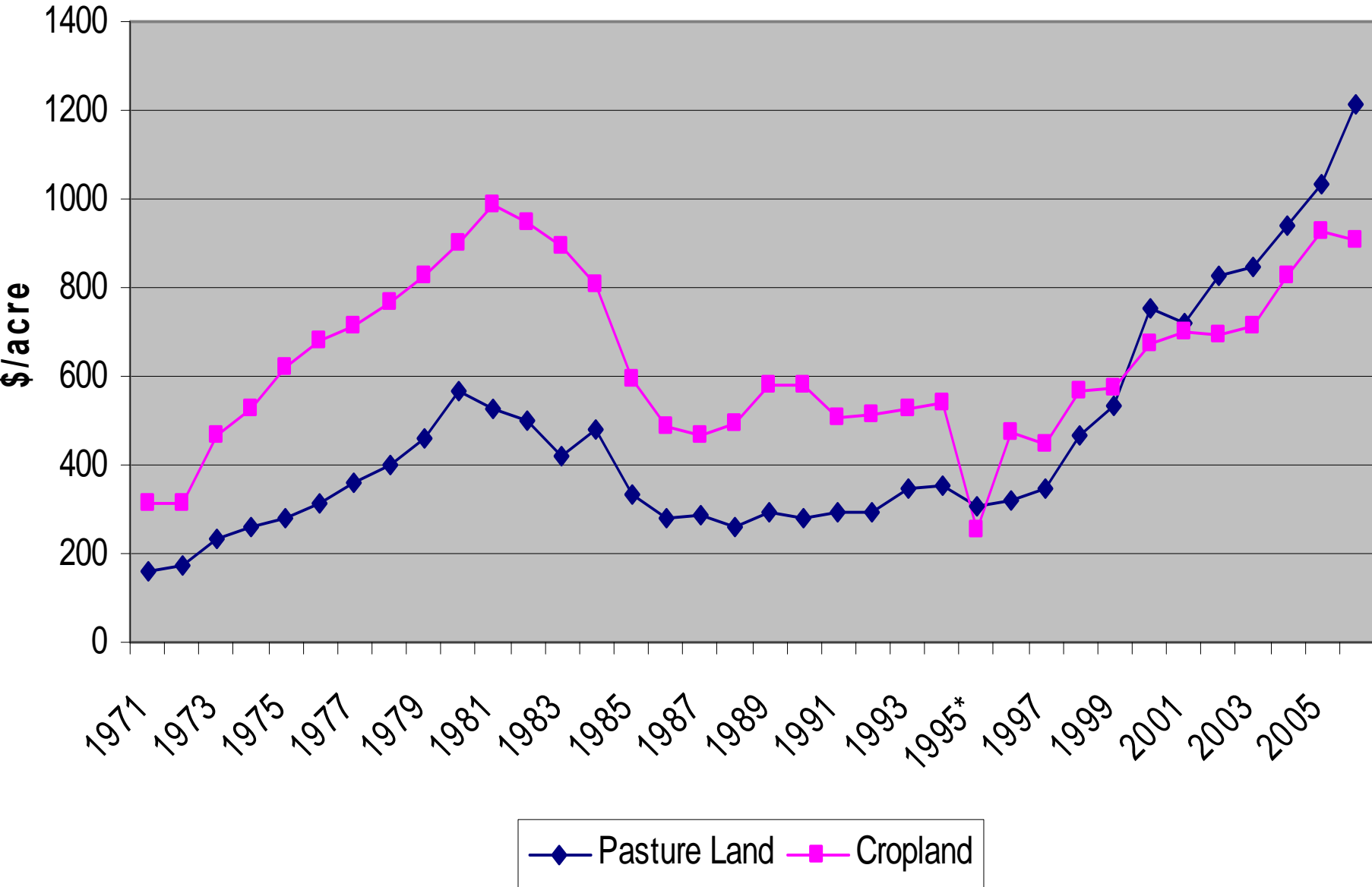
**43.25%**

**-48.96%**

# U.S. Average Fertilizer Prices

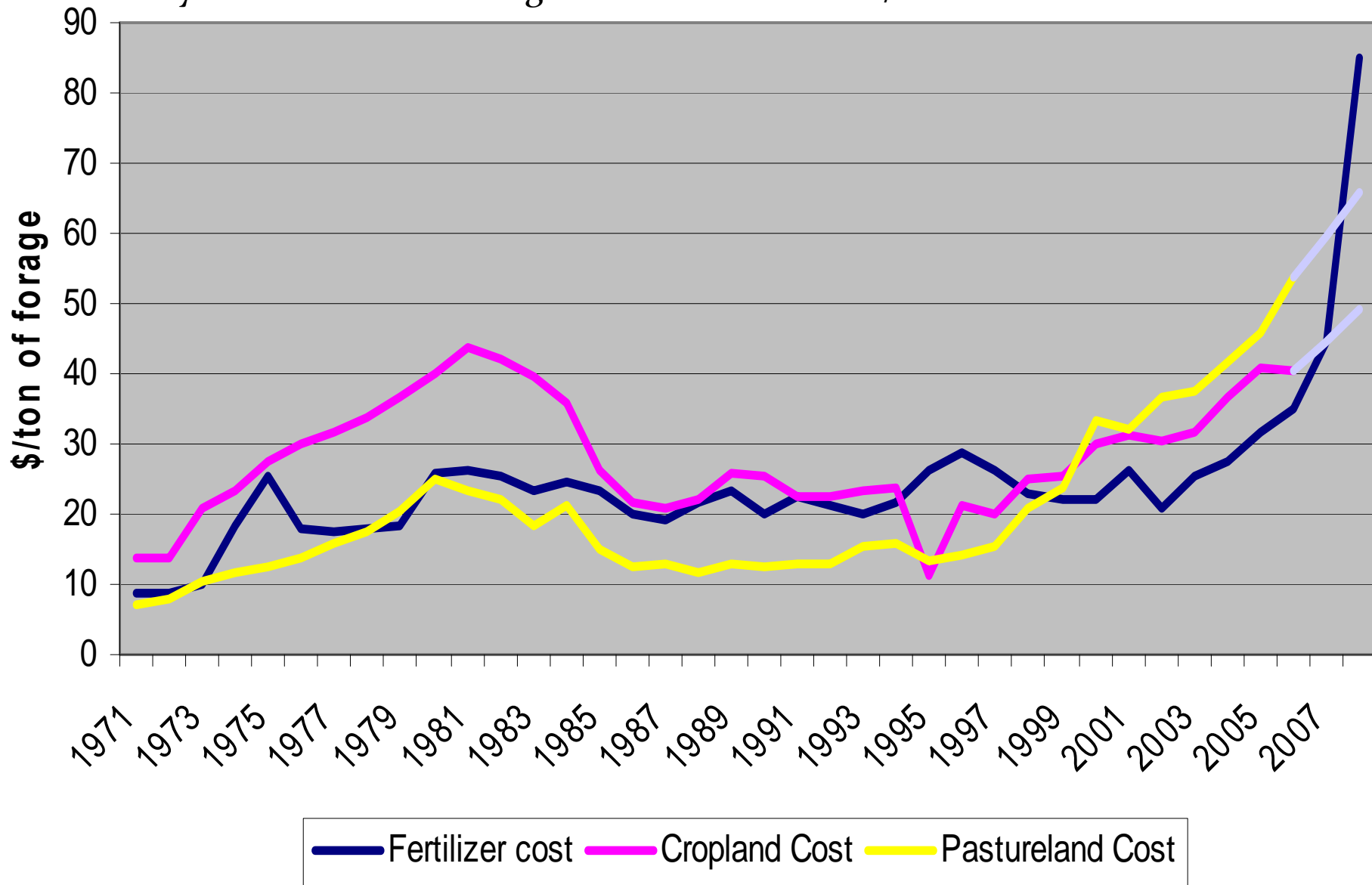


# Oklahoma Land Values



# Land-Fertilizer Trade-off

20 year 8% interest average annual cost for land/ 100-100-0 fertilizer





Questions?

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