

National Association of Wheat Growers

2007 Farm Bill

A Tale of Two Chambers

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A Tale of Two Chambers

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way...”

Charles Dickens, *A Tale of Two Cities*



A Tale of Two Chambers

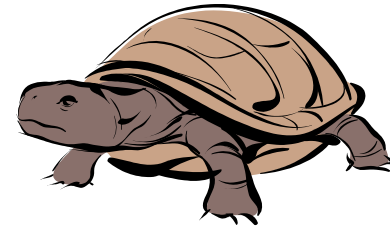
2002 Law Expired on Sept. 30, 2007

House



- Hearings throughout Spring 2007
- Subcommittee markups in May and June
- Full Committee markup in July
- Kind-Flake amendment crushed 309-117.
- Passed bill 231-191 on July 27

Senate



- Scattered hearings in April & May
- Bypassed Subcommittee action
- Full committee markup Oct. 24-25
- Over 100 floor amendments filed
- Mired in procedural disputes



NAWG Priorities

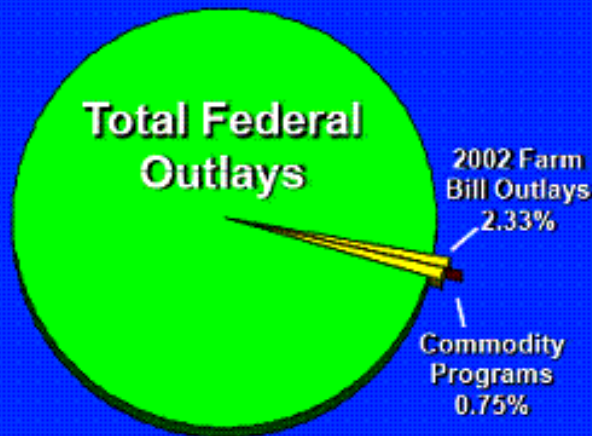
- Defend the bill from attack
 - The usual critics
 - New critics, including some surprises
- Preserve and increase direct payments
 - Reliable regardless of weather
 - WTO-compliant (Green Box)
- Improve equity between commodities
 - Market orientation



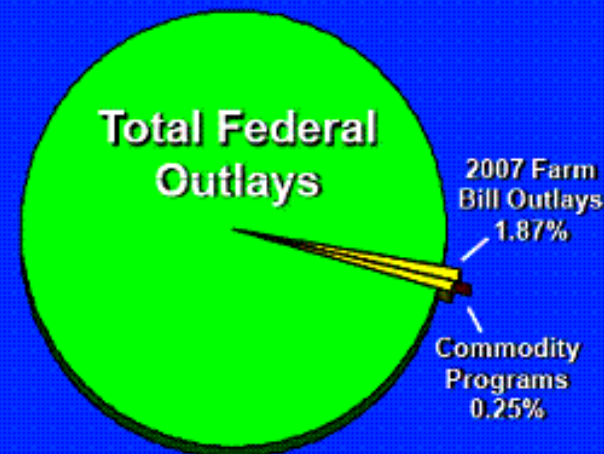
Farm Program Spending

Estimated Farm Bill Outlays as Percent of Total Federal Outlays

2002 Farm Bill
(2002-2007)



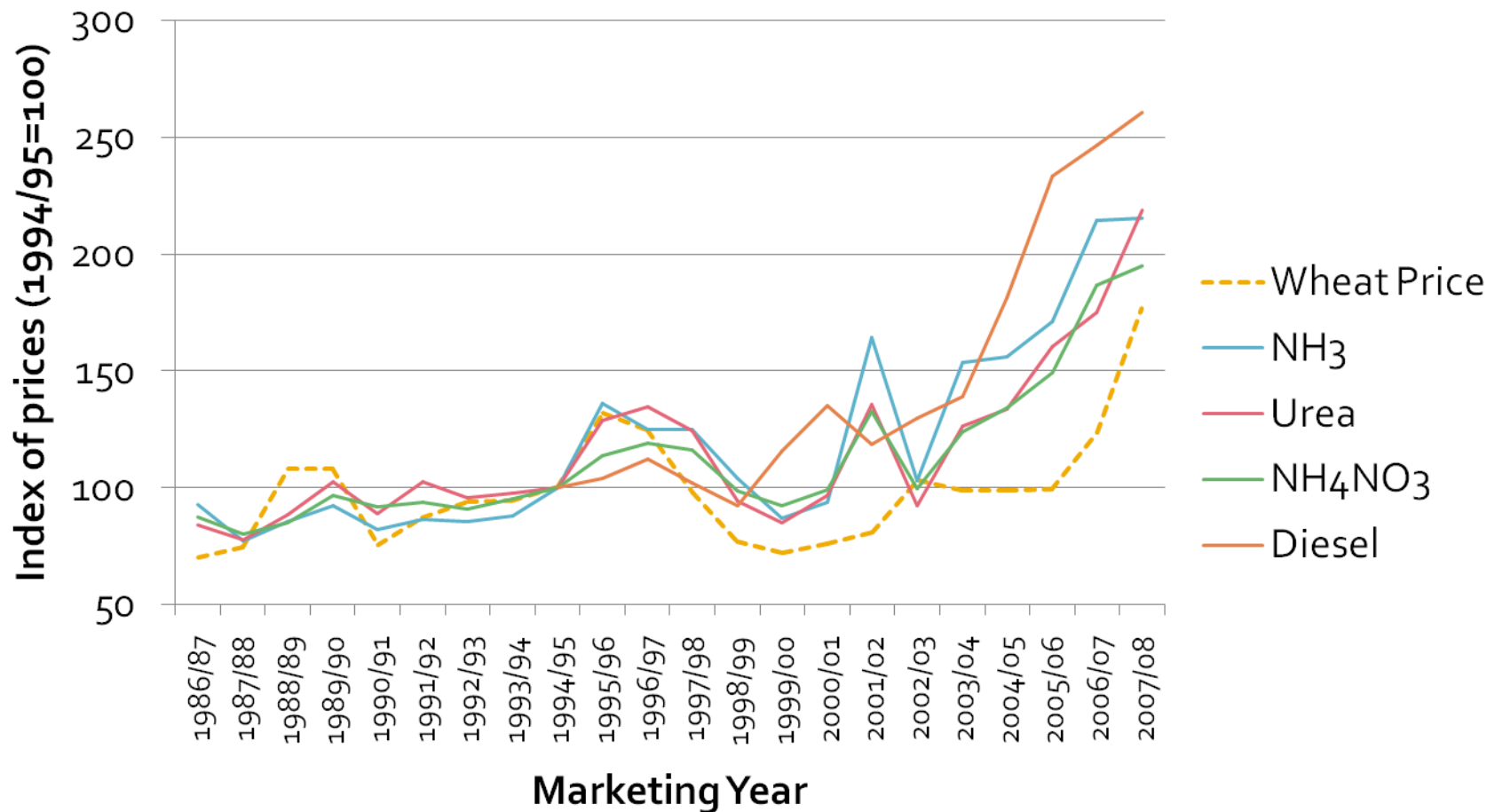
2007 Farm Bill
(2008-2012)



Source: CBO, CRS



Wheat Prices have not kept up with Inputs

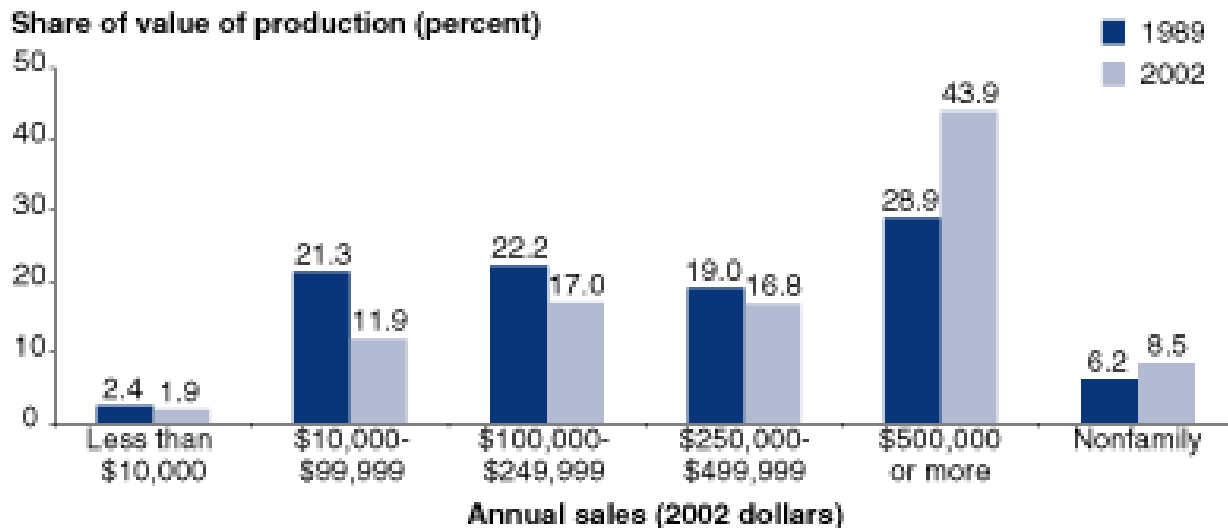


Sources: USDA Economic Research Service; US Energy Information Administration.



Concentration

Agricultural production is shifting to larger farms



Farms in the largest sales class (at least \$500,000 in 2002 dollars) accounted for 43.9 percent of production in 2002, up from 28.9 percent in 1989, the earliest year with consistent data. There were 64,000 farms in that size class in 2002, up from 32,000 in 1989.



Reforms in the Farm Bill

- Payment limitations
 - Lower hard cap on AGI
 - Tighter limits if majority of income is nonfarm
 - Lower aggregate limit for commodity programs
 - Direct attribution - eliminates 3-entity
 - House limits apply to both commodity and conservation payments
- Expenditures on commodity programs are down
- Increases in spending for conservation, nutrition, and fruits & vegetables
- Optional revenue-based coverage



Problems with Revenue Coverage

- State or national targets for revenue
- Conversion to a recourse loan (Senate bill)
- Financial and WTO Impact on crop insurance
 - fixed by Roberts amendment in committee
- ACR program (Senate bill) relies on yield trends
 - Constantly updated yield trendlines
 - Negative or flat yield trends in some states
 - WTO implications of moving targets



Thinking Inside the Boxes



Amber Box

- Trade –distorting support
- Tied directly to production and/or price
- Includes
 - marketing loans/LDPs
 - A few disaster programs
 - Sugar quota
 - Dairy programs
 - Storage payments, Cotton Step 2

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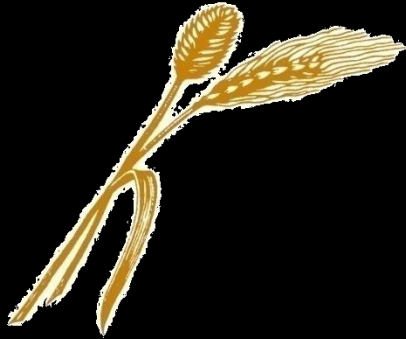
De minimus

- Minimal expenditures (5% of production value)
- Includes
 - Product-specific de-minimus
 - **Countercyclical**
 - **Crop insurance**
 - Irrigation & grazing

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Aggregate Measure of Support (AMS)

- Total of Amber and *de minimus*
- **Limit of \$19.1 billion per year**
- Recent spending
 - 2002: \$16.3 B
 - 2003: \$10.2 B
 - 2004: \$18.1 B
 - 2005: \$18.9 B
- Doha range between \$13-16 B



Thank you!

Daren Coppock
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Supplemental Slides



House Bill

Senate Bill

Wheat (bu)	Target	\$4.15	+0.23	\$4.20	+0.28
	Direct	0.52	-	0.52	-
	Loan Rate	2.94	+0.19	2.94	+0.19
Corn (bu)	Target	2.63	-	2.63	-
	Direct	0.28	-	0.28	-
	Loan Rate	1.95	-	1.95	-
Soybeans (bu)	Target	6.10	+0.30	6.00	+0.20
	Direct	0.44	-	0.44	-
	Loan Rate	5.00	-	5.00	-
Cotton (lb)	Target	0.70	-0.0240	0.7225	-0.0020
	Direct	0.0667	-	0.0667	-
	Loan Rate	0.52	-	0.52	-
Rice (cwt)	Target	10.50	-	10.50	-
	Direct	2.35	-	2.35	-
	Loan Rate	6.50	-	6.50	-
Barley (bu)	Target	2.73	+0.49	2.63	+0.39
	Direct	0.24	-	0.24	-
	Loan/Feed	1.90	+0.05	1.95	+0.10
	Loan/Malt	2.50	+0.65	1.95	+0.10