The 2008 Farm Bill

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Target Price Changes

Crop	Unit	2008-09	2010-12
Corn	$/bu.	2.63	2.63
Soybeans	$/bu.	5.80	6.00
Barley	$/bu.	2.24	2.63
Wheat	$/bu.	3.92	4.17
Oats	$/bu.	1.44	1.79
Cotton	$/lb.	0.724	0.7125
Sorghum	$/bu.	2.57	2.63

Direct Payment Rates

Crop	Unit	2008-12
Corn	$/bu.	0.28
Soybeans	$/bu.	0.44
Barley	$/bu.	0.24
Wheat	$/bu.	0.52
Oats	$/bu.	0.024
Cotton	$/lb.	0.0667
Sorghum	$/bu.	0.35

Effective Target Prices

Crop	Unit	2008-09	2010-12
Corn	$/bu.	2.35	2.35
Soybeans	$/bu.	5.36	5.56
Barley	$/bu.	2.00	2.39
Wheat	$/bu.	3.40	4.65
Oats	$/bu.	1.416	1.766
Cotton	$/lb.	0.6573	0.6458
Sorghum	$/bu.	2.22	2.28

Loan Rate Changes

Crop	Unit	2008-09	2010-12
Corn	$/bu.	1.95	1.95
Soybeans	$/bu.	5.00	5.00
Barley	$/bu.	1.85	1.95
Wheat	$/bu.	2.75	2.94
Oats	$/bu.	1.33	1.39
Cotton	$/lb.	0.52	0.52
Sorghum	$/bu.	1.95	1.95

Other Adjustments to Current Programs

- Payment acres = 85% of base in 2008 and 2012
- Payment acres = 83.3% of base in 2009-11
- Establishes pulse crops (dry peas, lentils, chickpeas) as program crops
- Posted county price based on 30-day moving average

Average Crop Revenue Election (ACRE)

- Gives producers a one-time option to choose a revenue-based counter-cyclical payment program, starting in 2009
- Producers choose between the current stable of programs or ACRE
- Producers choosing ACRE agree to 20% decline in direct payments and 30% decline in loan rates

Loan Rates under ACRE

Crop	Unit	2009	2010-12
Corn	$/bu.	1.365	1.365
Soybeans	$/bu.	3.50	3.50
Barley	$/bu.	1.295	1.295
Wheat	$/bu.	1.925	2.058
Oats	$/bu.	0.931	0.973
Cotton	$/lb.	0.364	0.364
Sorghum	$/bu.	1.365	1.365

Average Direct Payments Per Payment Acre

Crop	Current Program	ACRE	Difference
Corn	28.67	22.94	5.73
Soybeans	13.55	10.84	2.71
Barley	11.42	9.14	2.28
Wheat	17.94	14.35	3.59
Oats	1.16	0.93	0.23
Cotton	40.27	32.21	8.05
Sorghum	19.78	15.82	3.96

ACRE

- Program has state and farm trigger levels, both must be met before payments are made
- Expected state and farm yield based on 5 year Olympic average yields per planted acre
- ACRE price guarantee is the 2 year average of the national season-average price

ACRE Set-up for Iowa Corn

Year	Yield per Planted Acre (bu./acre)
2004	176.7
2005	169.0
2006	162.7
2007	166.8
2008	165.8
Olympic Average	167.2

Year	Season-average Price ($/bu.)
2007	4.25
2008	5.50
Average	4.875

The 2008 yield is based on trend yields (1980-2007). The 2008 price is USDA's latest estimate.

So the expected state yield would be 167.2 bushels per acre and the ACRE price guarantee would be $4.87 per bushel.

ACRE Structure

- ACRE revenue guarantee = 90% of ACRE price guarantee * Expected state yield
  - For our example, the ACRE revenue guarantee is 90% * 167.2 bu./acre * $4.87/bu.
  - $732.84/acre
- ACRE actual revenue = Max(Season-average price, Loan rate) * Actual state yield per planted acre

ACRE Structure

- ACRE Farm revenue trigger = Expected farm yield * ACRE price guarantee + Producer-paid crop insurance premium
  - Let's assume farm yields equal to state yields and use the average producer-paid crop insurance premium for 2008 (so far)
  - 167.2 bu./acre * $4.87/bu. + $21.70/acre
  - $814.26/acre

ACRE Payment Triggers

- ACRE actual farm revenue = Max(Season-average price, Loan rate) * Actual farm yield per planted acre

- Given our example, ACRE payments are triggered when ACRE actual revenue is below $732.84/acre and ACRE actual farm revenue is below $814.26/acre

ACRE Payments

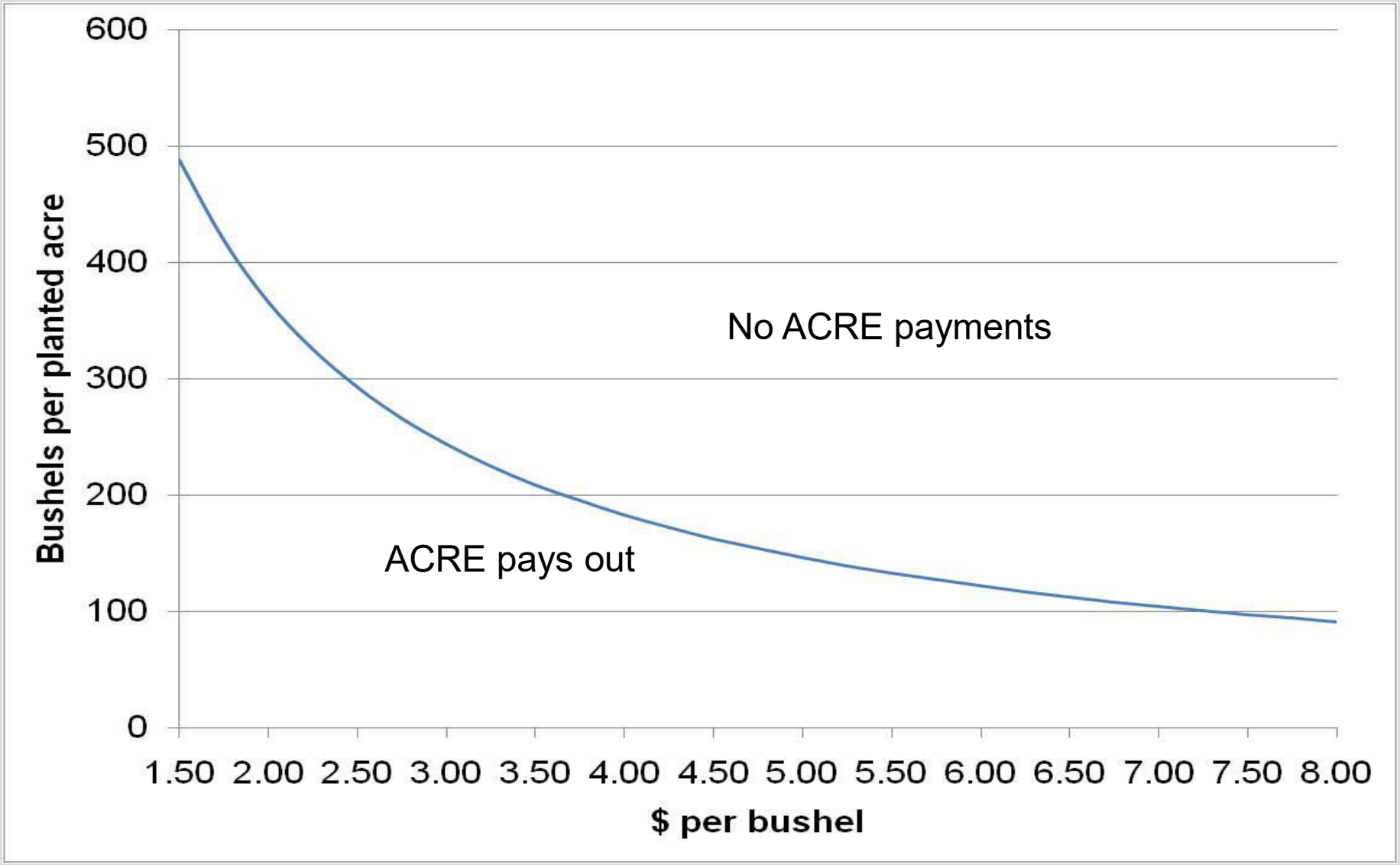
- Payment rate = Min(ACRE revenue guarantee – ACRE actual revenue, 25% * ACRE revenue guarantee)
- Payments made on 83.3% of planted/base acres in 2009-11, 85% in 2012
- ACRE payment adjustment: Payment multiplied by ratio of Expected farm yield to Expected state yield

ACRE Payments

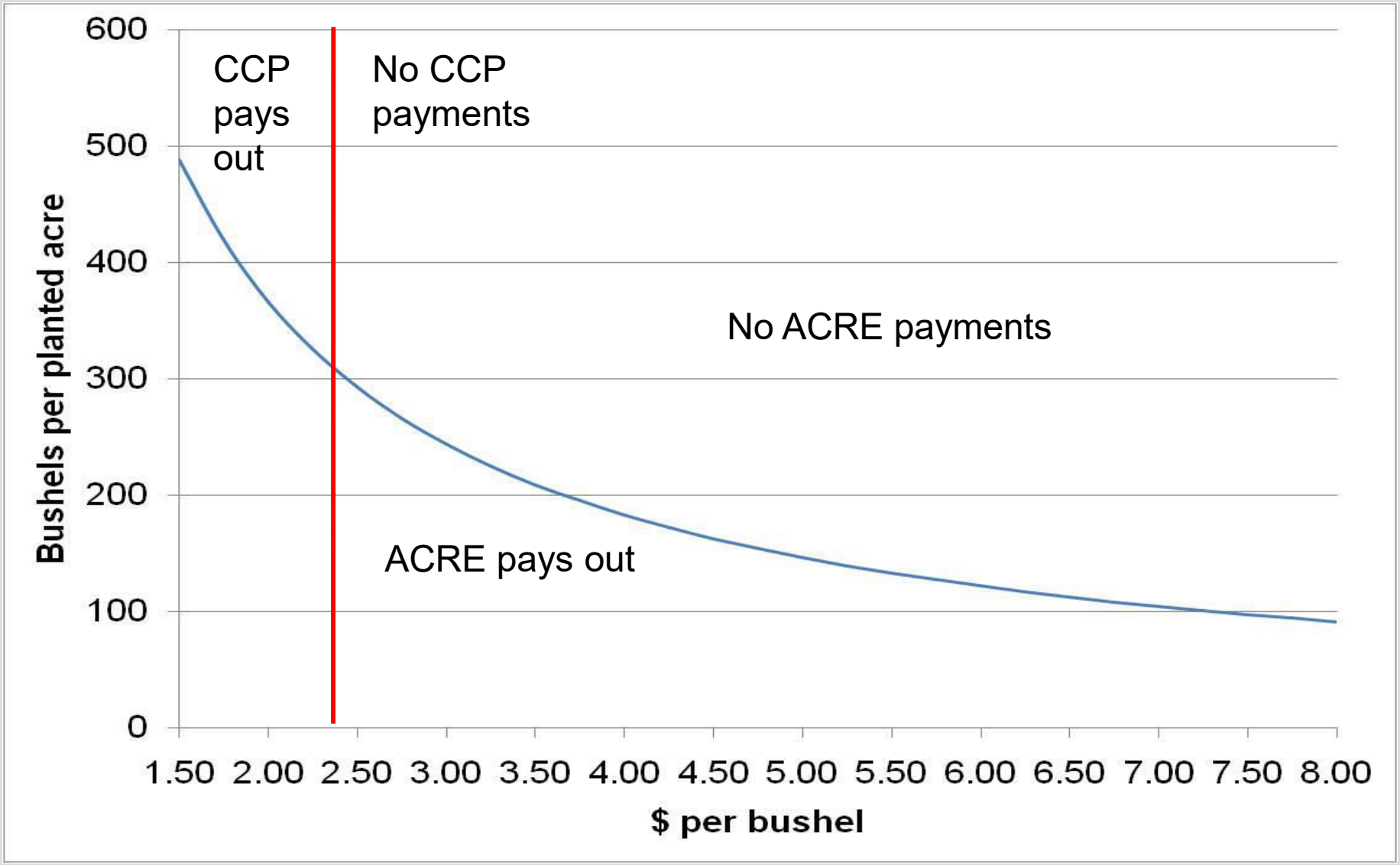
- Payment rate = Min($732.84 – ACRE actual revenue, $183.21)

- So the maximum per acre payment is $183.21 in our example

ACRE Payments



ACRE vs. CCP


600
500
400
300
200
100
0
Bushels per planted acre
CCP pays out
No CCP payments
No ACRE payments
ACRE pays out
1.50 2.00 2.50 3.00 3.50 4.00 4.50 5.00 5.50 6.00 6.50 7.00 7.50 8.00
$ per bushel

Looking Beyond 2009

- The ACRE revenue guarantee is updated each year using the same rules
  - 5 year Olympic average for yields
  - 2 year average for prices
- But the ACRE revenue guarantee can not change by more than 10 percent (up or down) from year to year
  - So if the 2009 ACRE revenue guarantee is $732.84, then the 2010 ACRE revenue guarantee must be between $659.56 and $806.12

Farmer's Choice

- In deciding about ACRE, farmers must weigh:
  - The loss of 20% of their direct payments, a 30% drop in the marketing loan rate, and no access to CCP payments versus
  - The potential for payments under ACRE

Payment Limitations

- Direct payments: $40,000 (w/o ACRE)
  $32,000 (w/ ACRE)
- Counter-cyclical payments: $65,000
- ACRE: $73,000 ($65,000 + $8,000)
- Marketing loans: No limits
- Direct attribution of payments
- Elimination of the 3-entity rule

Payment Limitations

- Adjusted gross income limits
  - $500,000 for nonfarm income
  - $750,000 for farm income
  - For conservation, nonfarm income limit is $1 million, unless 2/3 of income is farm related
  - Based on 3 year averages

New Permanent Disaster Program

- Covers crops and livestock
- Based on crop insurance program, non-insured crop assistance program, and disaster declarations
- Whole-farm revenue protection, not commodity-specific

New Permanent Disaster Program

- Payments set as the minimum of
  - 60% of the difference between farm guarantee and actual farm revenue
  - 90% of expected farm revenue

- Farm guarantee is the sum of
  - 115%*Crop insurance price election*Planted acres* Max(APH or CCP yield), for insurable commodities
  - 120%*NCAP price election*Planted acres* Max(NCAP or CCP yield), for non-insurable commodities

New Permanent Disaster Program

- Actual farm revenue is the sum of
  - Harvested acres*Farm yield*National season-average price for all commodities
  - 15% of direct payments
  - All CCP or ACRE payments
  - All marketing loan benefits
  - All crop insurance or NCAP payments
  - Any other disaster assistance payments

New Permanent Disaster Program

- Expected farm revenue is the sum of
  - Max(APH or CCP yield)*Planted acres*100% of the crop insurance price for insurable commodities
  - 100% of NCAP yield*100% of NCAP price*Planted acres for non-insurable commodities

Conservation

- CRP limited to 32 million acres (starting 2010)
- WRP extended (3 million acres)
- EQIP funding increased
- CSP renamed and strengthened
  - Targeted enrollment: 12.77 million acres per year

Thanks for your time!

Any questions?