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Impact of the FSRIA of 2002 on Texas Agriculture

Briefing Paper 02-1

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Impact of the FSRIA of 2002 on Texas Agriculture

The recently passed (and awaiting presidential signature) Farm Security and Rural Investment Act of 2002 includes many changes in current farm programs. The farm bill is expected to have a large impact on Texas producers' bottom lines. This report provides estimates of the impacts of the farm bill on Texas crop producers for the 2002-2003 crop year.

These results should be considered preliminary. A full, in-depth study of the 2002 FSRIA is underway at this time. Results of that study should be available by early June.

Producer returns are presented as coupled and decoupled returns. Coupled returns include market receipts and government payments in the form of loan deficiency payments or marketing loan gains. They are termed coupled because they are received for current production.

Decoupled returns include counter-cyclical payments and direct (fixed or AMTA) payments.

Producers are eligible for these payments regardless of whether they produce or not.

Assumptions

The following assumptions were made in estimating the impact of the 2002 farm bill on Texas agriculture.

- The estimated financial impacts are for the 2002-2003 crop year.
- The estimates under a continuation of the old farm bill do not include additional emergency payments, for example a "double AMTA", for the 2002-2003 crop year.
- Estimated market prices are not expected to differ appreciably under either farm bill setting.
- Coupled payments (market receipts and LDPs) are estimated on a harvested acre basis.

Decoupled payments are estimated on for a base acre.

- Impacts are only estimated for the major program crops. The estimates do not include dairy counter-cyclical direct payments or loan deficiency payments on wool, mohair, honey, or the changes in the peanut program. They also do not include any revenues for additional CRP acres or conservation security program payments. These impacts will be included in the later report.
- These impacts may be considered conservative as they do not include any base and yield updating.
- Estimates of national average prices are used in the analysis.

Table 1. Comparison of Estimated Returns under 1996 Farm Bill and 2002 FSRIA for the 2002/03 Crop Year.

	2002 FSRIA		1996 Farm Bill	
	\$/acre		\$/acre	
Wheat				
Market Price	\$	95.20	\$	95.20
LDP	\$	12.38	\$	4.90
Total Per Harvested Acre	\$	107.58	\$	100.10
Direct Payment	\$	12.46	\$	11.05
CCP	\$	12.94		
Total Decoupled Per Base Acre	\$	25.41	\$	11.05
Corn				
Market Price	\$	224.20	\$	224.20
LDP	\$	38.59	\$	27.97
Total Per Harvested Acre	\$	262.79	\$	252.17
Direct Payment	\$	22.49	\$	20.96
CCP	\$	27.31		
Total Decoupled Per Base Acre	\$	49.80	\$	20.96
Sorghum				
Market Price	\$	90.00	\$	90.00
LDP	\$	20.70	\$	7.20
Total Per Harvested Acre	\$	110.70	\$	97.20
Direct Payment	\$	16.90	\$	15.16
CCP	\$	10.14		
Total Decoupled Per Base Acre	\$	27.04	\$	15.16
Barley				
Market Price	\$	75.25	\$	75.25
LDP	\$	0.33	\$	-
Total Per Harvested Acre	\$	75.58	\$	75.25
Direct Payment	\$	7.32	\$	6.16
CCP	\$	-		
Total Decoupled Per Base Acre	\$	7.32	\$	6.16
Oats				
Market Price	\$	49.50	\$	49.50
LDP	\$	17.69	\$	11.39
Total Per Harvested Acre	\$	67.19	\$	60.89
Direct Payment	\$	0.77	\$	0.71
CCP	\$	0.84		
Total Decoupled Per Base Acre	\$	1.61	\$	0.71
Cotton				
Market Price	\$	179.93	\$	179.93
LDP	\$	97.14	\$	96.76
Total Per Harvested Acre	\$	277.07	\$	276.69
Direct Payment	\$	24.16	\$	20.72
CCP	\$	49.73		
Total Decoupled Per Base Acre	\$	73.89	\$	20.72
Rice				
Market Price	\$	278.05	\$	278.05
LDP	\$	260.33	\$	260.33
Total Per Harvested Acre	\$	538.38	\$	538.38
Direct Payment	\$	98.68	\$	86.08
CCP	\$	69.28		
Total Decoupled Per Base Acre	\$	167.96	\$	86.08
Soybeans				
Market Price	\$	120.15	\$	120.15
LDP	\$	30.47	\$	37.49
Total Per Harvested Acre	\$	150.62	\$	157.64
Direct Payment	\$	9.31	\$	-
CCP	\$	7.62		
Total Decoupled Per Base Acre	\$	16.93	\$	-

Table 2. Background Information Necessary to Calculate Estimated Returns.

LDP	FSRIA 2002 Loan Rate	FAIR 2002 Loan Rate
Wheat	\$ 2.80	\$ 2.58
Corn	\$ 1.98	\$ 1.89
Sorghum	\$ 1.98	\$ 1.71
Barley	\$ 1.88	\$ 1.65
Oats	\$ 1.35	\$ 1.21
Cotton	\$ 0.52	\$ 0.52
Rice	\$ 6.50	\$ 6.50
Soybeans	\$ 5.00	\$ 5.26

Direct/AMTA Payments	2002 Direct Payment	2002 AMTA Rate
Wheat	\$ 0.52	\$ 0.46
Corn	\$ 0.28	\$ 0.26
Sorghum	\$ 0.35	\$ 0.31
Barley	\$ 0.24	\$ 0.20
Oats	\$ 0.02	\$ 0.02
Cotton	\$ 0.067	\$ 0.06
Rice	\$ 2.35	\$ 2.05
Soybeans	\$ 0.44	\$ -

CCP	2002 Target Price
Wheat	\$ 3.86
Corn	\$ 2.60
Sorghum	\$ 2.54
Barley	\$ 2.21
Oats	\$ 1.40
Cotton	\$ 0.724
Rice	\$ 10.50
Soybeans	\$ 5.80

	2002 Market Price
Wheat	\$ 2.80
Corn	\$ 1.90
Sorghum	\$ 1.80
Barley	\$ 2.15
Oats	\$ 1.10
Cotton	\$ 0.380
Rice	\$ 4.15
Soybeans	\$ 4.45

	Texas Average Yields	
	Farm Program Yield	2001 Average Yield
Wheat	28.2	34
Corn	94.5	118
Sorghum	56.8	50
Barley	35.9	35
Oats	37.8	45
Cotton	426.1	474
Rice	49.4	67
Soybeans	24.9	27

Payment Fraction	85%
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Figure 1. Expected Receipts to a Harvested Acre Under FSRIA (2002) and FAIR Act (1996), 2002/03 Crop Year

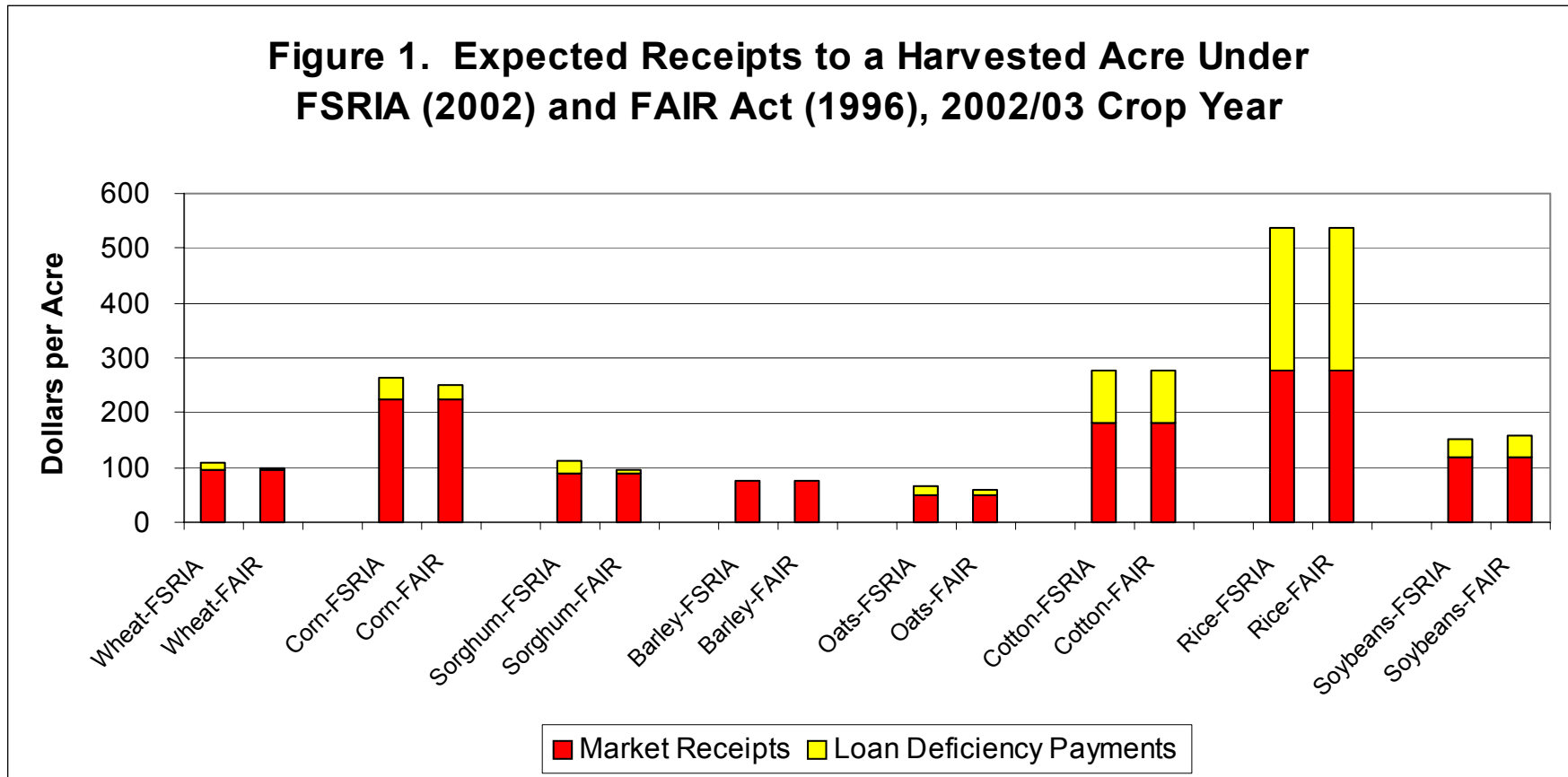


Figure 2. Expected Receipts to a Base Acre Under FSRIA (2002) and FAIR Act (1996), 2002/03 Crop Year

