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U.S. Farm Bill USDA Perspective

Agricultural Outlook Forum

**Dr. Mark E. Keenum
Under Secretary for Farm and Foreign Agricultural Services
U.S. Department of Agriculture
March 2, 2007**

■ Agricultural Economy

- Projecting record cash receipts for fifth consecutive year. **\$258.7 billion** in cash receipts projected for agriculture in 2007
- Net farm income is forecast to be \$66.6 billion in 2007, up \$6 billion from 2006
 - *\$9 billion above its average for the previous 10 years*

■ Lowest debt-to-asset ratio in recorded history; remains at approximately 11% in 2007

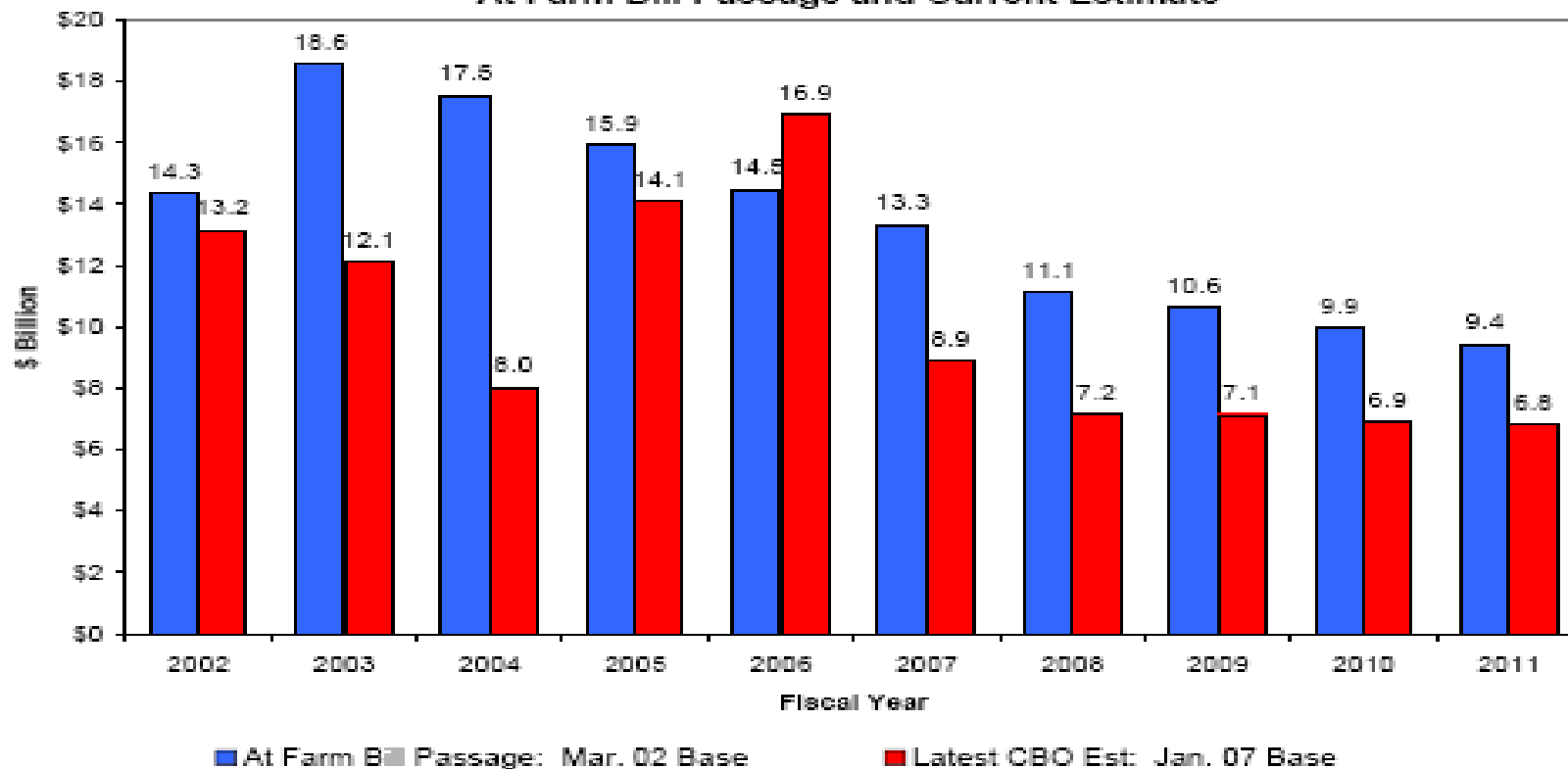
■ Ag Exports

- Food and agricultural exports reached a record level of \$68.7 billion last year
- We project another record in 2007 – \$78 billion in exports.

- CCC Commodity programs: 10-year costs in this baseline are projected to be down \$34 billion or 31% from last year's budget baseline

- For the 9 crops:
 - Direct payments are projected down \$1.7 billion (3%)
 - Countercyclical payments down \$17 billion (58%)
 - Marketing loan benefits down \$15 billion (67%)

Commodity Programs: CCC Outlays:
At Farm Bill Passage and Current Estimate





Price Summary



Crop	2005/06 estimate	2006/07 forecast
Corn (\$/bu)	2.00	3.00/3.40
Wheat (\$/bu)	3.42	4.20/4.30
Soybeans (\$/bu)	5.66	5.90/6.50
Rice (\$/cwt)	7.65	9.65/9.85
Cotton (¢/lb)	47.70	47.30*
Sugar (¢/lb) *		
Raw	22.4	20.85
Midwest Refined	35	25.00

Based on February 2007 WASDE Report

* Weighted average upland price for August-December 2006

* Sugar prices reflect July, 2006 prices and February, 2007 prices, respectively



Commodity Title



Continues the basic structure of the 2002 farm bill with direct, countercyclical and marketing loan support programs



Commodity Program Proposals



- **Direct payments:**
 - Increases overall direct payments. Direct payment rate for upland cotton, soybeans, and barley is increased in all crop years. Rate is increased in 2008-10 for all other crops.
- **Counter cyclical revenue payments:** based on actual market revenue being less than target revenue
 - Based on prices and yields, not just prices as now
 - Target revenue is based on same price trigger used for counter-cyclical payments times olympic average of U.S. yields during 2002-2006
 - Actual revenue is higher of loan rate or market price time actual U.S. yield, thus as loan rate declines, counter-cyclical revenue protection goes up
 - Individual producer receives share of national revenue deficiency based on counter-cyclical payment program yield time 0.85 times base acres
- **Loan rates:** based on 85% of past market prices
 - More market oriented by being tied to market prices
 - Provide support in very low price years; reduce excessive LDPs
 - Less market and trade distorting



Commodity Program Proposals

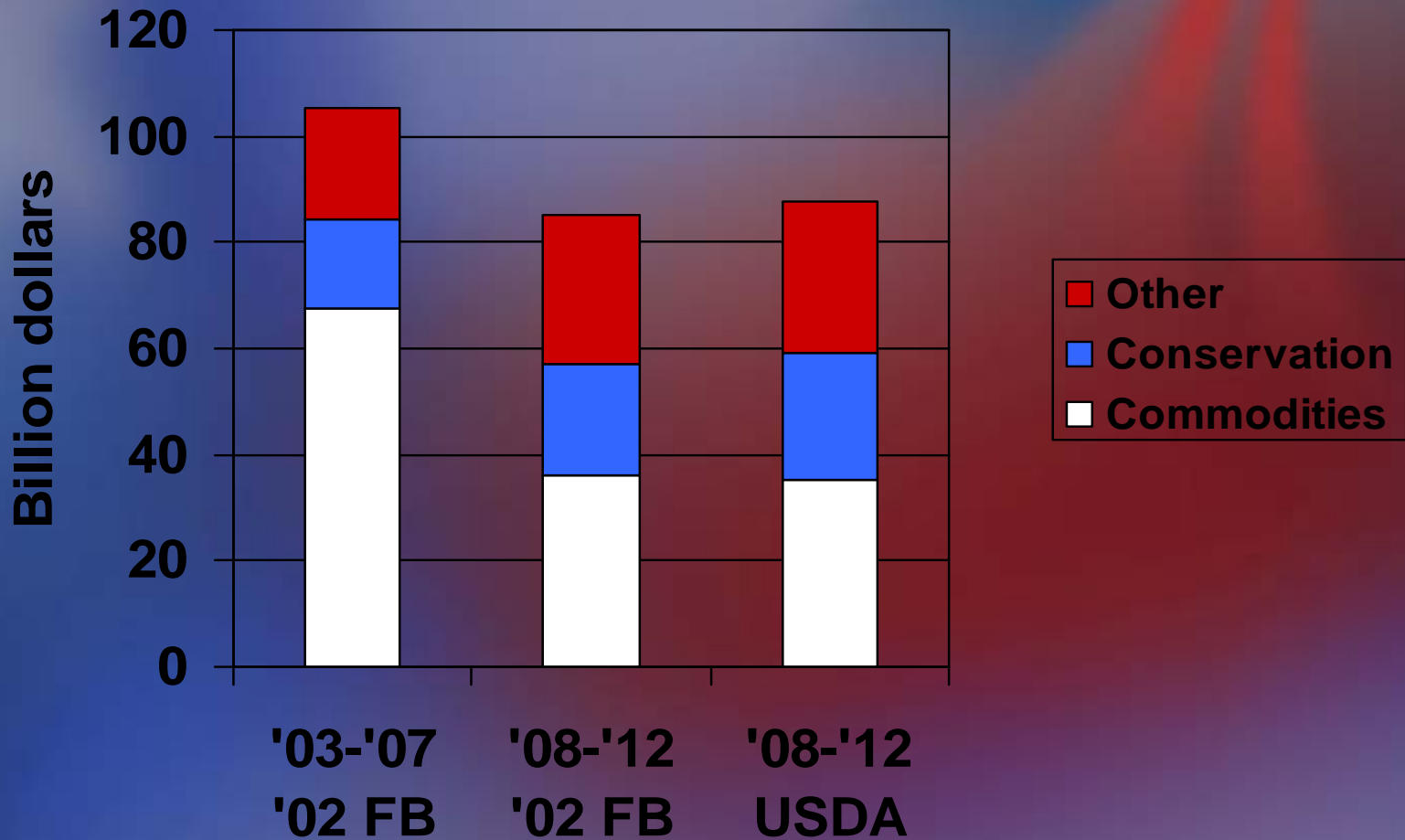


■ Other:

- **Dairy:** price support continues; MILC continues but at lower payment rate and payment is based on historical marketings
- **Sugar:** price support continues but marketing allotments are used to balance market even if imports exceed 1.532 mil. tons
- **Payment limits:** 3-entity eliminated; \$360,000 per individual; \$200,000 AGI, eliminates the separate payment limit for peanuts
- **Section 1031:** no payments on farmland bought under 1031 exchanges
- **PCPs:** monthly PCPs; LDPs are determined when beneficial interest is lost
- **Flexibility:** Fruits, Vegetables, and Wild Rice prohibition eliminated
- **Cotton:** upland Step 1 & 3 and ELS competitiveness provisions eliminated
- **Base retirement:** proportional base reduction when farmland sold to nonag use
- **Conservation option:** higher direct payment when forgoing loan and countercyclical payment programs (10% Increase)
- **Sodsaver:** program benefits lost if grasslands brought into production
- **WTO compliance:** “circuit breakers” updated for any new WTO agreement



Cost Comparison: 2002 Farm Bill vs USDA Proposal





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