

Farm Bill Prospects and the Changing Economics of Agriculture

2007 Minnesota Chapter ASFMR
 Summer Seminar
 Duluth, MN
 July 12, 2007

Kent Olson
 Applied Economics, University of Minnesota

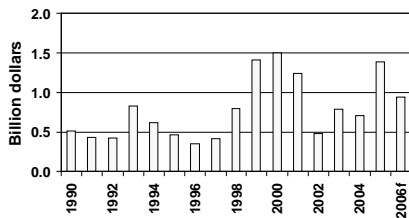


Today's Outline

- A bit of background
- Farm Bill Prospects
- Changing Economics of Agriculture
- Closing comments



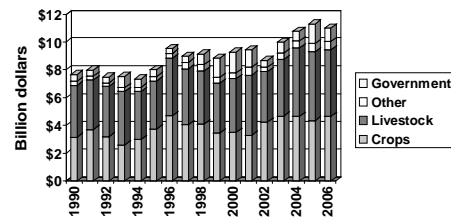
Total Government Payments paid to Farmers in Minnesota, 1990-2006f



Source: USDA, ERS



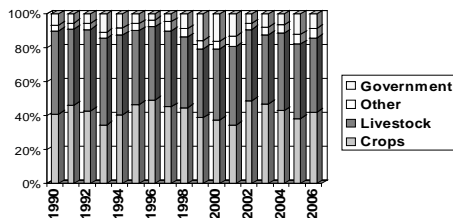
Sources of Farm Cash Receipts, Minnesota, 1990-2006f



Source: USDA, ERS



Sources of Farm Cash Receipts, Minnesota, 1990-2006f



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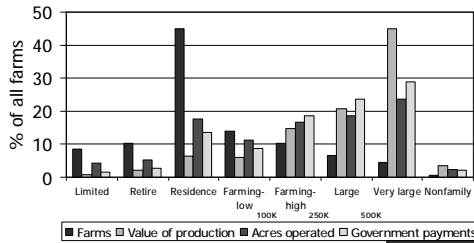


USDA Farm Typology

- **Small Family Farms:** sales < \$250,000
 - Limited Resources
 - Retirement
 - Residential/lifestyle
 - Farming occupation - low sales < \$100,000
 - Farming occupation - high sales between \$100,00 and \$250,000
- **Large family farms:** sales between \$250,000 and \$499,999
- **Very large family farms:** sales over \$500,000
- **Nonfamily farms**



Shares of farms, production, acres, and government payments by USDA typology: Minnesota 2005



Source: USDA, ERS

Farm Bill Prospects

Three main alternatives:

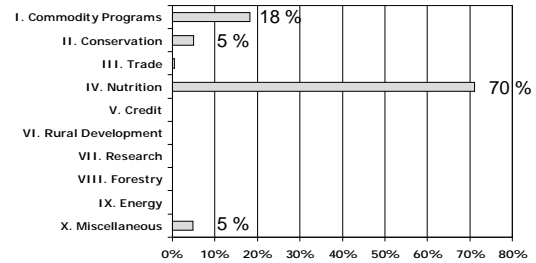
- Ø House Ag Committee
- Ø FARM21
- Ø Senate Ag Committee

Forces affecting policy choices

- Budget
- Trade issues
- Energy
- Environmental concerns
- Public perceptions
- Politics, national & global
- Current price levels
- Budget, did I mention that yet?

Estimated Expenditures for 2002 Farm Bill

– Each title's share of \$782,025 million (over 10 years)



Source: USDA ERS report on CBO's March 2002 estimate

House Ag Committee, main points

- Continue Commodity programs
 - With some adjustments in direct payments, loan rates, and target prices
- Increased Conservation funding
- Increased Energy funding
 - IF "cost offset can be found"
- Rural Development, Nutrition

FARM21, main points

- Risk Management Accounts
 - Save for poor years, rural investments
 - Government subsidized
- Discontinue current safety net payment programs (DP, CCP, LDP)
 - Payments into RMAs for first year or two
- Conservation, Energy, Rural Development, Nutrition

Senate Ag Committee

- Harkin has said change is needed
 - But FARM21 is too much
- Decreased direct payments
- More for conservation, energy, rural development
- More for nutrition programs



Next Steps?

- Interesting debate in House
 - Next week in House Ag Committee
 - Perhaps a “revolt” on the floor
- Senate debate
- Conference committee decisions
- Extension for 2 years?



“The Farm Bill” is not the only policy to affect farms

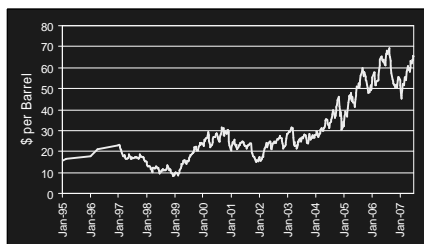
- Rural policy
- Highways
- Monetary policy
- International trade
- Other country's policies
- Environment
- Energy
- Immigration
- Science
- Zoning
-



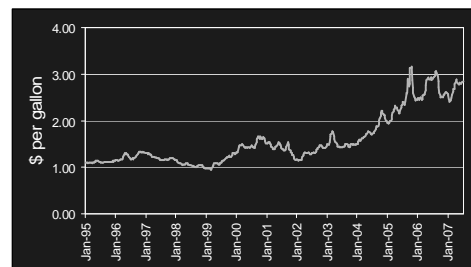
Changing Economics of Agriculture



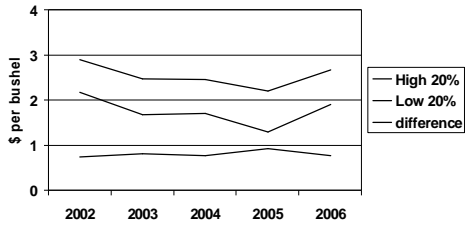
Crude Oil, U.S. Spot price



Diesel, Weekly U.S. Retail Price



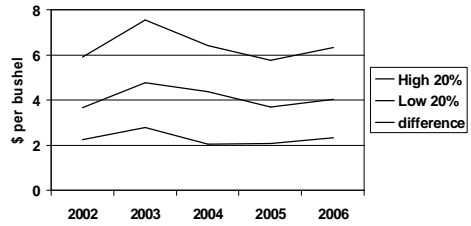
Corn Production Costs, SW MN



Costs are total direct and overhead expenses less Government & other income plus unpaid labor & management
Source: FINBIN, CFFM



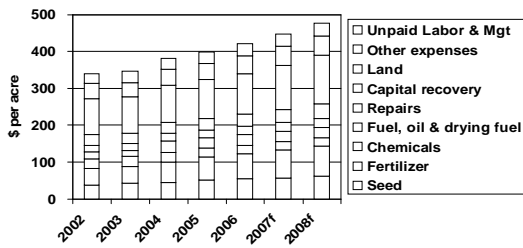
Soybean Production Costs, SW MN



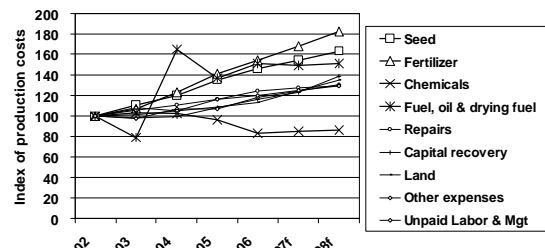
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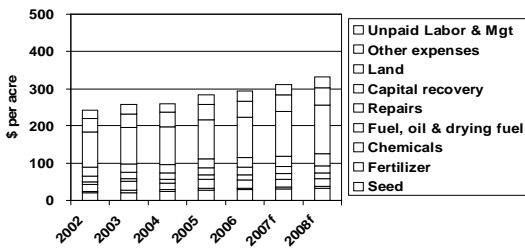
Corn Production Costs, SW MN



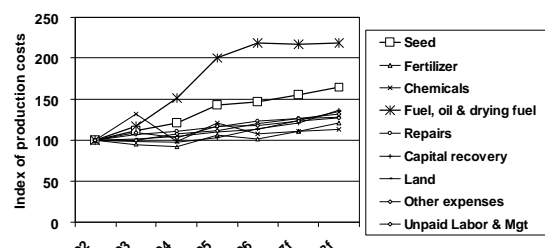
Corn Production Cost Indexes, SW MN

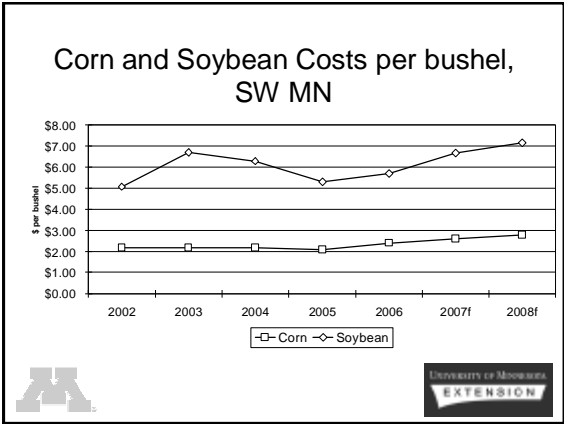


Soybean Production Costs, SW MN

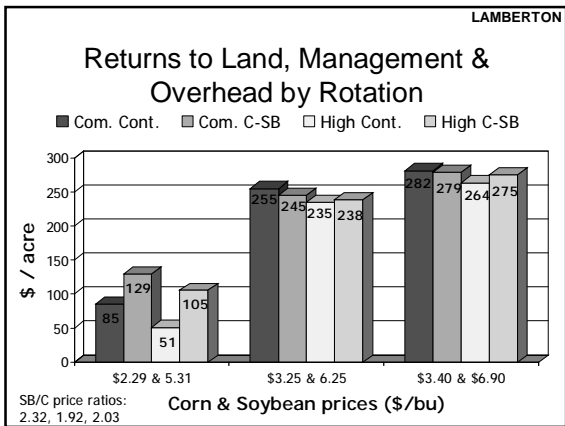
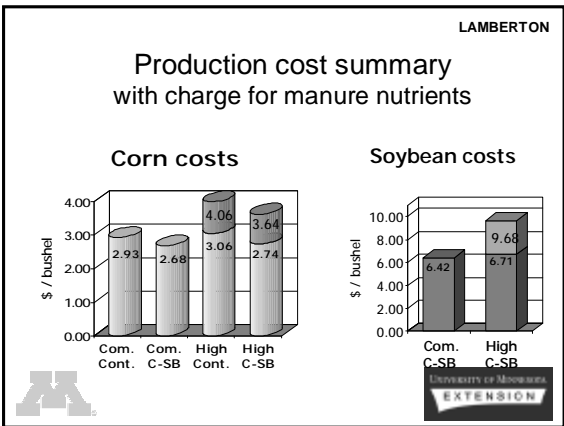


Soybean Production Cost Indexes, SW MN





- ### High Input Study
- Corn-Soybean and Continuous Corn
 - Common practices strategy
 - University or common recommendations
 - Fall urea or anhydrous, some starter fertilizer
 - 34,000 seeds/ac for corn
 - High Input strategy
 - Fall urea, plus beef manure in alternate years
 - Higher spring NPK plus sulfur and zinc, higher starter, side-dress N in June
 - 38,000 seeds per acre
 - Weed control was the same
 - Insecticide applied to continuous corn



- ### Concluding comments
- "High Input" has highest yields
 - C-SB rotation has corn higher yield
 - In both "Common" and "High"
 - "Common Practices" has lowest costs
 - Both per acre and per bushel
 - "Common Practices" is most profitable

Thank you!

Questions, comments

Kent Olson
 Applied Economics
 612-625-7723 kdolson@umn.edu

www.farmmanagement.umn.edu
 for the link to these slides and other papers