

Payment Limits & Southern Crop Provisions

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Presentation Outline

- Payment Limitations and Direct Attribution
- Adjusted Gross Income Eligibility Test
- Where I Think We Are At....
- Southern Crop Provisions
- Conclusions



Payment Limitations and Direct Attribution

- Continues \$40,000 limit on direct payments and \$65,000 limit on counter-cyclical payments and ACRE
 - If ACRE is chosen then reduction in DP is added to ACRE limitation
 - Some discussion of whether this is before or after the limit is applied
- Loan deficiency payments and marketing loan gains are not limited
- Eliminates 3 entity rule and uses Direct Attribution to a living person
 - If one spouse is assumed to be actively engaged then both spouses are assumed to be eligible
 - Payments for children under 18 are attributed to parent(s)
 - Will trace through 4 levels of ownership in legal entities to attribute payments

Payment Limitations and Direct Attribution (Continued)

- Prohibition on all payments if sum of base acres on farm is less than or equal to 10 acres
 - Unless socially disadvantaged
 - Unless limited resource
- Much discussion about Congressional intent

Adjusted Gross Income Eligibility Test

- Replaces the \$2.5 million adjusted gross income limitation to receive commodity, disaster, or conservation benefits with:
 - A person with more than \$500,000 in **average adjusted nonfarm income** will be ineligible for direct payments, counter-cyclical payments, ACRE payments, marketing loan gains, loan deficiency payments, MILC payments, and the noninsured assistance program
 - A person with more than \$750,000 **average adjusted gross farm income** will be ineligible for direct payments
 - A person with more than \$1,000,000 in adjusted gross nonfarm income will be ineligible for conservation program payments unless more than 66.6% of their income comes from farming or related activities

Dairy

- The only really effective payment limitation
- Producers only receive MILC payments on 2.985 million pounds of milk
 - Returns to 2.4 million pounds in 2012
- A payment rate escalator that increases when feed costs increase

Where I Think We Are At...

- There is a draft proposed rule being analyzed by FSA lawyers
 - Told it has 4 controversial provisions that are being considered
- The 2009 crop is likely to be under an interim rule
- Final rule will be in place for 2010 - 2012

Southern Crop Provisions

- Cotton
- Rice
- Peanuts
- Sugar

Cotton

- Economic Adjustment Assistance to Users of Upland Cotton
 - Beginning August 1, 2008 and ending July 31, 2012 domestic users of upland cotton will receive a payment of \$0.04/lb used regardless of origin of the cotton
 - Beginning August 1, 2012 the payment rate is \$0.03/lb
- USDA no longer prohibited from publishing cotton price forecasts
- Reduces storage payments for cotton by 10% in 2008, 2009, 2010, and 2011 and 20% in 2012

Rice

- Separates medium (including short) and long-grain for direct payments
- Effective price for calculating CCP is determined using same calculation for medium and long-grain, but by type or class of rice

Peanuts

- Peanuts continue to be covered by a separate subtitle from other crops
 - Continue to have separate payment limits
 - Same basic programs and options as other crops
 - Beginning with the 2008 crop, the Secretary shall pay handling and associated costs (other than storage) when peanuts are placed under loan
 - Secretary pays all costs (including storage) for peanuts forfeited to the CCC

Sugar Loan Rates

Crops	2002 Farm Bill	2008 Farm Bill			
	2007	2008-2009	2010	2011	2012-13
Raw Cane Sugar (\$/lb)	0.18	0.18	0.1825	0.1850	0.1875
Refined Beet Sugar (\$/lb)	0.229	0.229	0.2345 (128.5% of cane)	0.2378 (128.5% of cane)	0.241 (128.5% of cane)

Secretarial authority to reduce loan rates not extended in the 2008 bill

Sugar

- Secretary is directed to operate the nonrecourse loan program “to the maximum extent practicable” at no cost to the government by avoiding forfeitures (continuation from 2002 bill)
- If a reduction in production is necessary to avoid foreitures, quantity of sugarcane and sugar beets that has already been planted may not be used for any commercial purpose other than as a bioenergy feedstock
- USDA must collect information on production, consumption, stocks, and trade of sugar in Mexico (including U.S. exports) which must be printed in the monthly WASDE report

Sugar

- By the beginning of each crop year, the Secretary shall establish appropriate allotments for the marketing by processors of sugar processed from cane or beets at a level sufficient to maintain raw and refined sugar prices above forfeiture levels so that there will be no forfeitures of sugar to the CCC, but not less than 85% of the estimated quantity of sugar for domestic human consumption for the crop year
- Eliminates the suspension of allotments when estimates of imports for domestic food use exceeded the sum of 1.532 million short tons plus quantities of sugar reassigned to imports from unfilled allocations sugar overall allotment quantity

Summary

- Wish we knew more for certain
- Going to be an interesting year... yes year

Thank you...

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