

Farm-Level Impacts of the Administration's Budget Proposal

Note: Analysis is based on interpretation of information contained in budget documents. Specific implementing language, if and when released, could alter these assumptions.

- With yields at the level seen in 2004, the Administration's proposal would make **almost 40%** of the cotton crop ineligible for the marketing loan program.
 - The proposal limits access to the marketing loan to a historical yield. For each acre planted, the marketing loan will be available on the crop produced up to 85% of the Direct Payment yield. Direct Payment yields have been frozen since 1985 and are well below actual yields.
 - With U.S. average yields for cotton reaching 835 pounds per acre in 2004 and the average Direct Payment yield limited to 604 pounds per acre, only 62% of cotton produced in 2004 would have been eligible for the marketing loan (85% of 604 = 513 pounds).
 - Individual farm numbers can be determined by multiplying their DP yield by 0.85 and then dividing by their expected yield; or

$$\% \text{ of Yield Covered} = \frac{0.85 * \text{Direct Payment Yield}}{\text{Expected Yield}}$$

- Significant changes are proposed for the payment limit provisions of the farm bill. The 3-entity rule is to be eliminated. All loan gains, including those from generic certificates, will count toward payment limits. The payment limit for all CCC commodity payments would be set at \$250,000.
 - A California farm with **650 acres of cotton** would hit the maximum limit in years such as 2004 (low commodity prices and above-average yields).
 - In the Southeast, Mid-South, and Southwest, growers with **between 800 and 1,000 acres of cotton** would hit the maximum in payments.
 - Surprisingly small farm operations would routinely hit the \$250,000 cap.
- The Administration's proposal denies support to growers at times when they need it most. The following pages present the percentage of *gross income* (from the market and government) that would be lost under the Administration's proposal for various farming operations. The farms assume a crop mix and yields that are indicative of the particular region. Impacts are evaluated for farm sizes from 100 acres up to 5,000 acres. Results should illustrate average impacts but are not designed to be specific to a particular farming operation.

Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Mid-South

Crop Mix: 1/3 Cotton – 1/3 Rice – 1/3 Soybeans

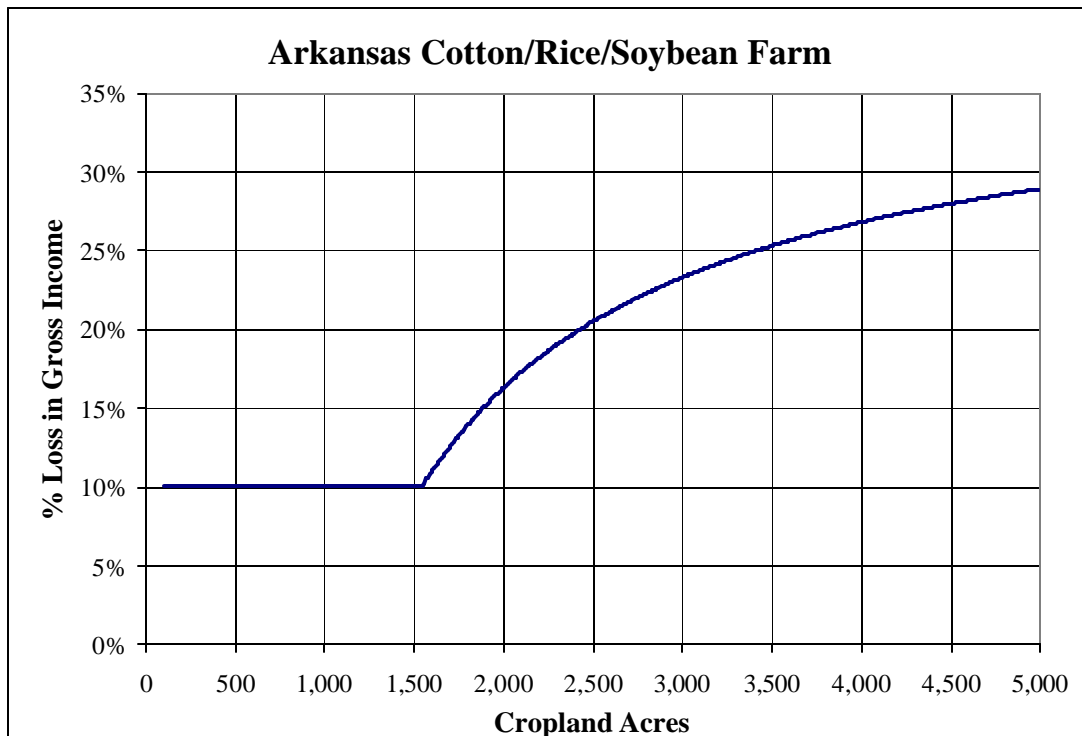
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Soybeans	Rice
Actual Yields	1,175 <i>lb./ac.</i>	50 <i>bu./ac.</i>	70 <i>cwt./ac.</i>
DP Yields	725 <i>lb./ac.</i>	20 <i>bu./ac.</i>	45 <i>cwt./ac.</i>
CCP Yields	820 <i>lb./ac.</i>	29 <i>bu./ac.</i>	55 <i>cwt./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	4.50 <i>\$/bu.</i>	7.00 <i>\$/cwt.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Mid-South

Crop Mix: 70% Cotton – 30% Soybeans & Grains

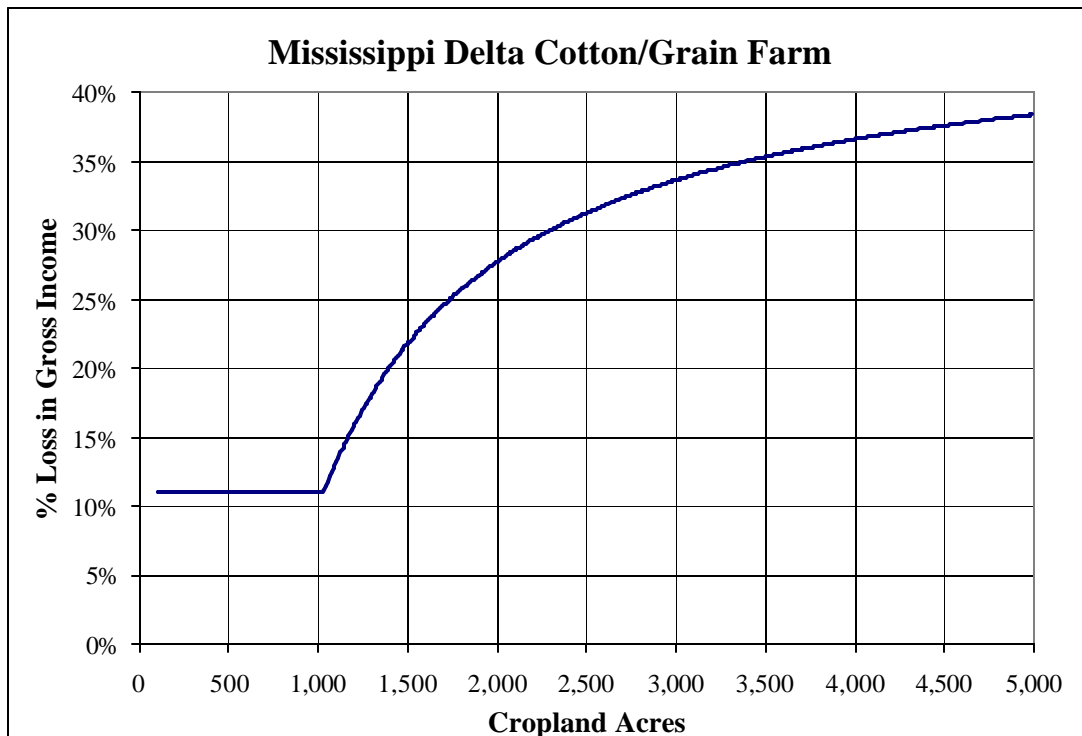
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Soybeans	Corn	Wheat
Yields	1,125 <i>lb./ac.</i>	50 <i>bu./ac.</i>	160 <i>bu./ac.</i>	60 <i>bu./ac.</i>
DP Yields	890 <i>lb./ac.</i>	25 <i>bu./ac.</i>	60 <i>bu./ac.</i>	35 <i>bu./ac.</i>
CCP Yields	905 <i>lb./ac.</i>	30 <i>bu./ac.</i>	100 <i>bu./ac.</i>	45 <i>bu./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	4.50 <i>\$/bu.</i>	1.70 <i>\$/bu.</i>	3.00 <i>\$/bu.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Southeast

Crop Mix: 50% Cotton – 50% Soybeans & Grains

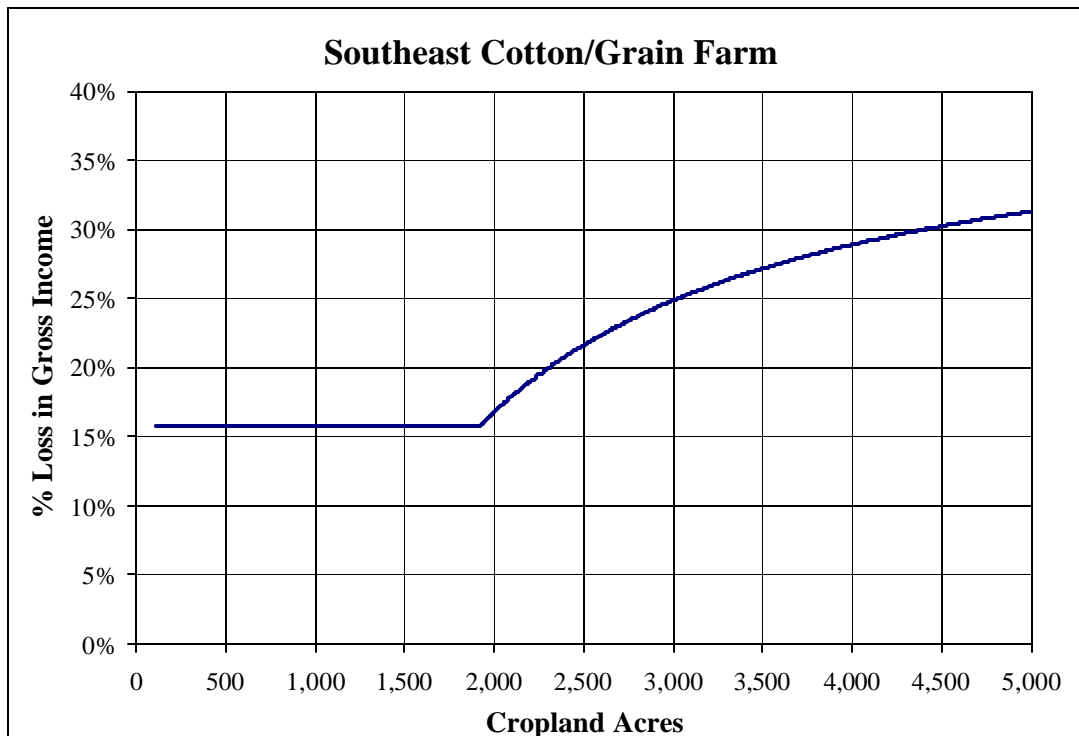
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Soybeans	Corn	Wheat
Yields	975 <i>lb./ac.</i>	45 <i>bu./ac.</i>	155 <i>bu./ac.</i>	55 <i>bu./ac.</i>
DP Yields	480 <i>lb./ac.</i>	25 <i>bu./ac.</i>	75 <i>bu./ac.</i>	35 <i>bu./ac.</i>
CCP Yields	665 <i>lb./ac.</i>	30 <i>bu./ac.</i>	95 <i>bu./ac.</i>	40 <i>bu./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	4.50 <i>\$/bu.</i>	1.70 <i>\$/bu.</i>	3.00 <i>\$/bu.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Southeast
Crop Mix: 50% Cotton – 50% Peanuts

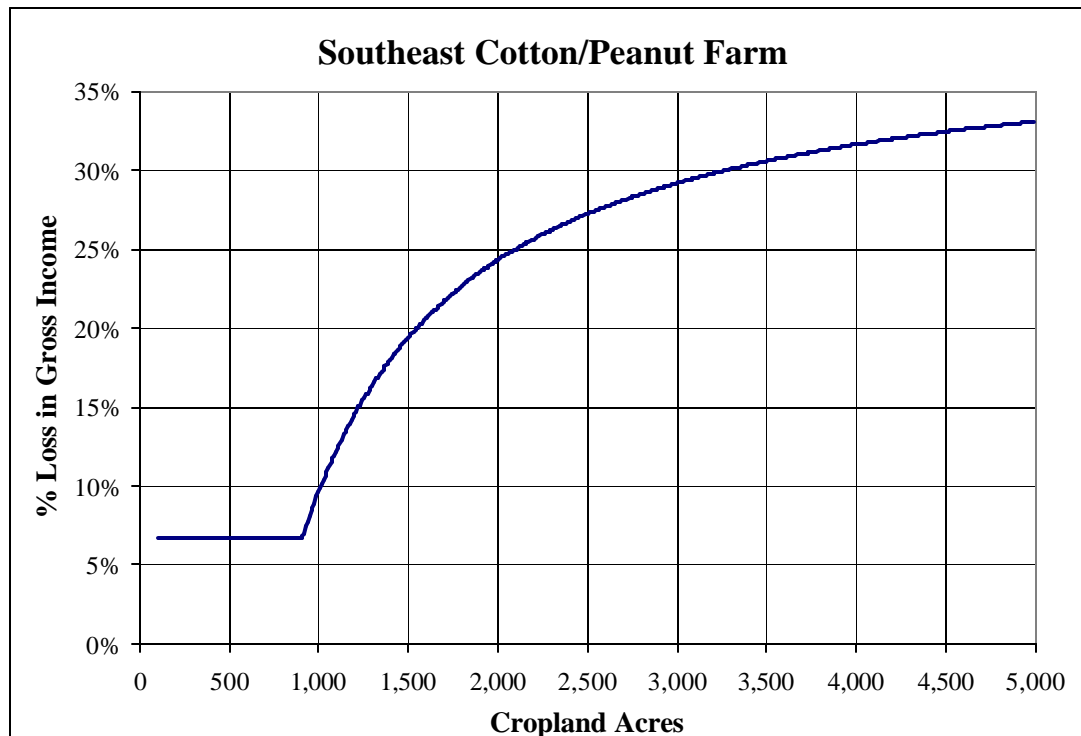
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Peanuts
Yields	1,075 <i>lb./ac.</i>	4,750 <i>lb./ac.</i>
DP Yields	825 <i>lb./ac.</i>	3,195 <i>lb./ac.</i>
CCP Yields	845 <i>lb./ac.</i>	3,280 <i>lb./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	0.1350 <i>\$/lb.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Southwest

Crop Mix: 60% Cotton – 40% Grains

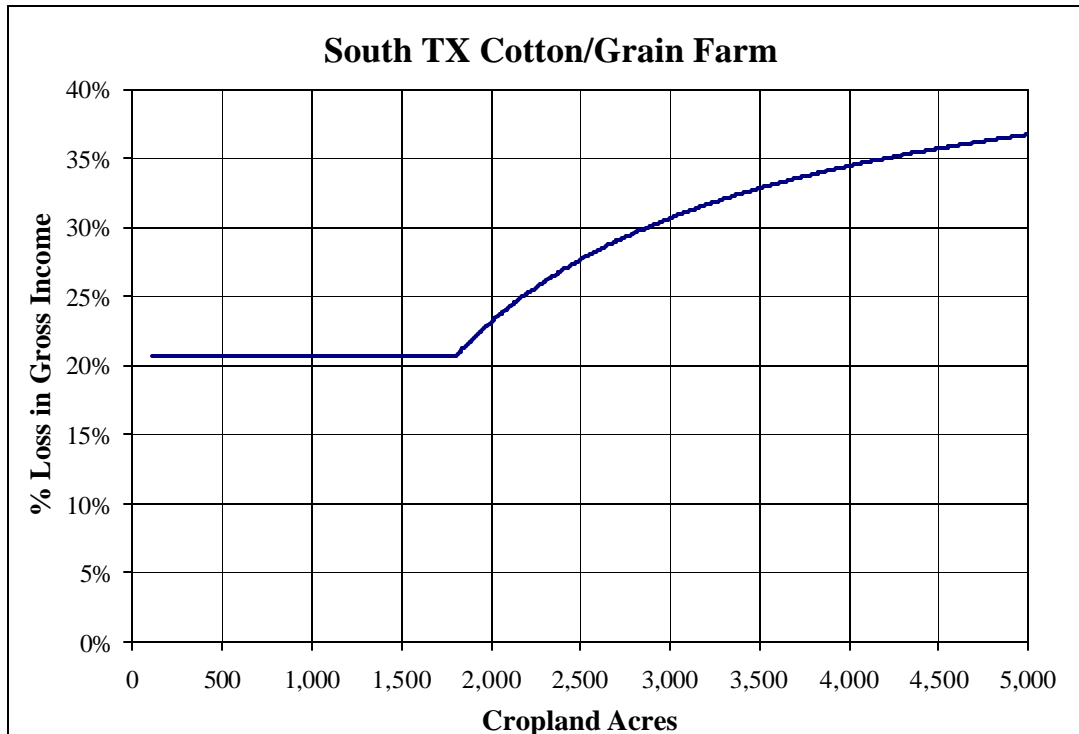
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Sorghum	Corn
Yields	1,100 <i>lb./ac.</i>	100 <i>bu./ac.</i>	125 <i>bu./ac.</i>
DP Yields	495 <i>lb./ac.</i>	55 <i>bu./ac.</i>	55 <i>bu./ac.</i>
CCP Yields	675 <i>lb./ac.</i>	75 <i>bu./ac.</i>	75 <i>bu./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	1.60 <i>\$/bu.</i>	1.70 <i>\$/bu.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: Southwest

Crop Mix: 80% Cotton – 20% Grains

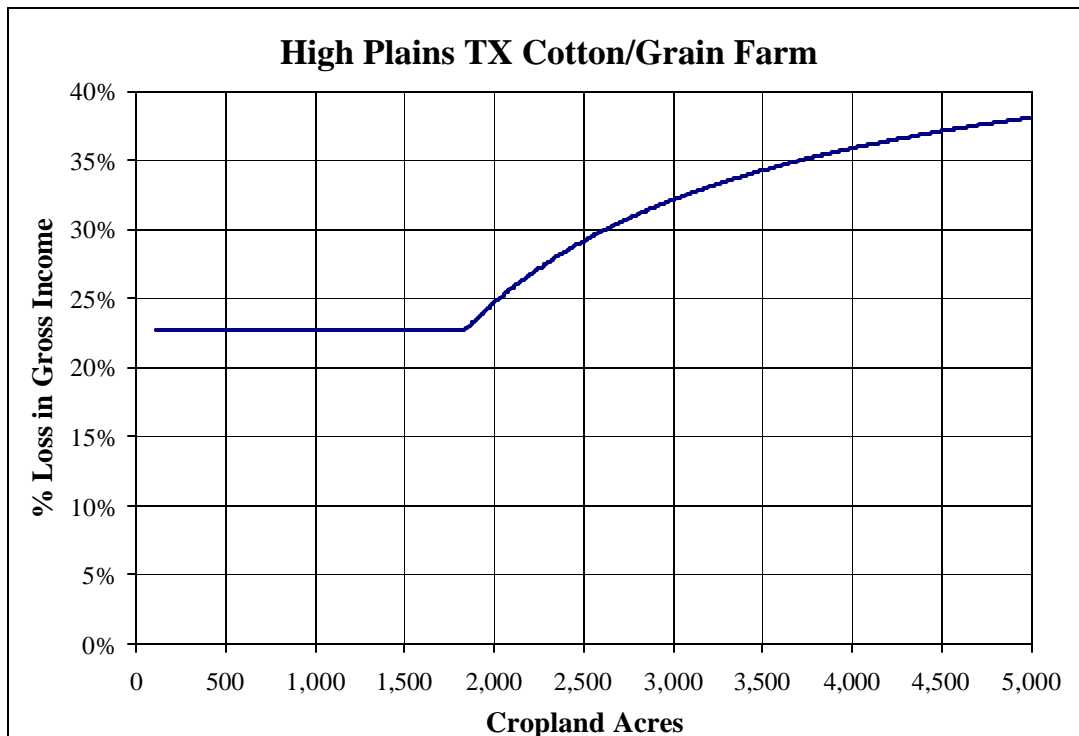
Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Sorghum	Corn	Wheat
Yields	975 <i>lb./ac.</i>	100 <i>bu./ac.</i>	215 <i>bu./ac.</i>	50 <i>bu./ac.</i>
DP Yields	375 <i>lb./ac.</i>	90 <i>bu./ac.</i>	130 <i>bu./ac.</i>	35 <i>bu./ac.</i>
CCP Yields	600 <i>lb./ac.</i>	95 <i>bu./ac.</i>	150 <i>bu./ac.</i>	45 <i>bu./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	1.60 <i>\$/bu.</i>	1.70 <i>\$/bu.</i>	3.00 <i>\$/bu.</i>



Farm-Level Impacts of the Administration's Budget Proposal

Region of the Cotton Belt: West

Crop Mix: 90% Cotton – 10% Grains

Policy Assumptions:

- For each acre planted, the marketing loan will be available on yield up to 85% of the Direct Payment yield. Generic certificates can be used to redeem marketing loans but certificate gains count toward payment limits.
- All CCC commodity payments reduced by 5%.
- \$250,000 limit for all CCC commodity payments.
- The 3-entity rule is eliminated.

Evaluation of Impacts:

- Base acres for each crop are equal to planted acres.
- Gross Income includes market receipts and government payments. Vertical axis measures the % loss in gross income as various acreage levels. The horizontal axis denotes the number of acres devoted to program crops.
- Yield and Market Price Assumptions

	Cotton	Corn	Wheat
Yields	1,875 <i>lb./ac.</i>	225 <i>bu./ac.</i>	90 <i>bu./ac.</i>
DP Yields	1,080 <i>lb./ac.</i>	110 <i>bu./ac.</i>	70 <i>bu./ac.</i>
CCP Yields	1,100 <i>lb./ac.</i>	125 <i>bu./ac.</i>	75 <i>bu./ac.</i>
Market Prices	34.00 <i>cents/lb.</i>	1.70 <i>\$/bu.</i>	3.00 <i>\$/bu.</i>

