



**PRELIMINARY ANALYSIS
OF THE GRAIN, OILSEED, AND COTTON PROVISIONS OF
THE HOUSE COMMITTEE ON AGRICULTURE'S
DRAFT FARM BILL CONCEPT PAPER**

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Executive summary

The “Draft Farm Bill Concept Paper” issued by the House Committee on Agriculture on July 12, 2001 proposes a number of changes to U.S. farm legislation. The Food and Agricultural Policy Research Institute (FAPRI) has conducted a preliminary analysis of provisions directly related to grains, oilseeds, cotton, and the Conservation Reserve Program (CRP).

The concept paper proposes a continuation of many important features of current farm law, including planting flexibility, fixed payments, and a commodity marketing loan program. One new feature is a counter-cyclical payment program tied to market prices but not tied to current production decisions. Oilseed marketing loan rates are reduced, but oilseed producers become eligible for fixed and counter-cyclical payments. Producers are given an opportunity to update the base area used to calculate direct payments.

Relative to a current-policy baseline, preliminary estimates indicate that the selected features of the proposal would

- marginally increase the area planted to grains and cotton.
- reduce the area planted to oilseeds.
- increase the total area planted to major crops by less than one percent.
- slightly increase oilseed prices.
- slightly reduce grain and cotton prices.
- increase average per-acre crop returns by \$17.
- increase Commodity Credit Corporation (CCC) net outlays by \$41.4 billion over FY 2002-2011.
- increase net farm income by an average of \$4.1 billion per year over 2003-2010, compared to an average increase in CCC outlays of \$4.8 billion over the same period.

The analysis does not examine features or provisions of the proposal related to peanuts, sugar, dairy, wool, mohair, conservation (other than the CRP), trade programs, research, nutrition, and rural development. Furthermore, the estimates provided here may be revised as more information becomes available, particularly on the consequences of allowing farmers to update their payment base areas.

Introduction

The U.S. House Committee on Agriculture released a “Draft Farm Bill Concept Paper” on July 12, 2001. The Food and Agricultural Policy Research Institute (FAPRI) has conducted a preliminary analysis of the possible implications of certain proposals included in the concept paper.

At this time, we have examined the provisions included under the heading “Program Crops” in the concept paper, i.e., the provisions that address loan rates and direct payments for producers of grains, cotton, and oilseeds other than peanuts. We have also incorporated in our analysis the implications for those crops of the proposed increase in the acreage enrollment cap for the Conservation Reserve Program (CRP).

This preliminary analysis does *not* consider the impacts of other provisions in the concept paper. We do not consider the impacts of provisions related to other crops, dairy, conservation (other than the CRP), trade programs, research, nutrition, and rural development. Effects of these other provisions may prove important, but, because of time constraints, they are omitted from this preliminary analysis.

The analysis compares likely outcomes under a scenario incorporating the proposed policy changes to a baseline prepared by FAPRI in January 2001 under an assumed continuation of current policies.

Key Assumptions

The concept paper proposes a number of changes that will affect government price support and direct payment programs that are incorporated in this analysis.

Loan rates

For most crops, the concept paper proposes holding loan rates at 2001 levels (Table 1). Soybean loan rates are reduced from the 2001 applied rate of \$5.26 per bushel to the current statutory minimum of \$4.92 per bushel, with a corresponding reduction for minor oilseeds from 9.3 cents per pound to 8.7 cents per pound. The sorghum loan rate is increased from the 2001 applied rate of \$1.71 per bushel to \$1.89 per bushel.

Fixed payments

Fixed payment rates for grains and cotton are set at 2002 levels for Agricultural Market Transition Act (AMTA) contract payments (Table 1). A fixed payment rate of \$0.34 per payment bushel is established for soybeans, with a corresponding rate for minor oilseeds.

Counter-cyclical payments

Target prices for grains and cotton are established at their 1995 levels (e.g., \$4.00 per bushel for wheat), with a new target price of \$5.76 per bushel for soybeans and a rate of

10.18 cents per pound for minor oilseeds (Table 1). If the sum of the fixed payment rate and the greater of the loan rate or the average farm price is less than the target price, the counter-cyclical payment rate will equal the difference.

Table 1. Loan Rates, Fixed Payment Rates, and Target Prices Used in the Analysis

Crop	units	Loan Rate		Fixed Payment	Target Price
		2002 Baseline	Concept Paper	Concept Paper	Concept Paper
Wheat	\$/bushel	2.58	2.58	0.46	4.00
Corn	\$/bushel	1.89	1.89	0.26	2.75
Sorghum	\$/bushel	1.69	1.89	0.31	2.61
Barley	\$/bushel	1.71	1.71	0.19	2.36
Oats	\$/bushel	1.14	1.14	0.02	1.45
Upland cotton	cents/pound	51.92	51.92	5.54	72.90
Rice	\$/cwt	6.50	6.50	2.04	10.71
Soybeans	\$/bushel	5.26	4.92	0.34	5.76
Minor oilseeds	cents/pound	9.30	8.70	0.60	10.18

Source: Baseline loan rates are from FAPRI's January 2001 baseline. "Concept paper" figures are from the table on page 2 of the "Draft Farm Bill Concept Paper." Note that sorghum, barley, and oats loan rates differ slightly from those listed in the concept paper, as loan rates for these crops depend on moving averages of historical market prices.

Base area eligible for fixed and counter-cyclical payments

After consultation with committee staff, we interpret the concept paper to mean that producers can choose to use their AMTA contract area for all crops on a farm or an average of 1998-2001 planted area for all crops on a farm. In other words, the decision is on a farm-by-farm basis and not a crop-by-crop basis. This implies that if producers wish to receive fixed and counter-cyclical payments for oilseeds, they must choose to use 1998-2001 plantings because there is no AMTA payment base for oilseeds. Fixed and counter-cyclical payments are made on 85 percent of the base area. **Current planting flexibility rules apply, so current plantings have no effect on fixed or counter-cyclical payments, provided the producer does not grow fruits or vegetables on the base area.**

To develop a precise estimate of base area under the concept paper proposal, it would be necessary to have information about current payment bases and 1998-2001 plantings on a farm-by-farm basis. Given time and data constraints, we estimated base areas by examining data on a crop reporting district (CRD) basis. In general, we assumed that producers in a given CRD would choose to update their payment base if they would get larger payments by using 1998-2001 plantings than they would by maintaining their AMTA contract area. Note in Table 2 that the oilseed base area is less than 1998-2001 average oilseed plantings as it is assumed some producers choose to maintain their historical AMTA contract area to maximize expected payments.

The optimal decision for one producer in a CRD will often be different from the optimal decision for other producers, so the approach used in this analysis should be considered a first approximation.

Table 2. Base Acreage for Fixed and Counter-cyclical Payments

Crop	2002 AMTA	Concept Paper	Difference
million acres			
Wheat	78.4	72.1	-6.3
Corn	81.4	81.1	-0.3
Sorghum	13.5	11.2	-2.3
Barley	11.1	9.1	-2.0
Oats	6.7	4.6	-2.1
Upland cotton	16.4	17.9	1.4
Rice	4.2	4.2	0.0
Soybeans	n.a.	60.2	60.2
Sunflowers	n.a.	1.6	1.6
Sum of above	211.7	262.0	50.3

Source: 2002 AMTA contract area is from FAPRI's January 2001 baseline. "Concept paper" figures are preliminary estimates based on crop reporting district information, as described in the text.

Payment yields for fixed and counter-cyclical payments

Grain and cotton payment yields are set at the same levels used to calculate AMTA payments. Oilseed payment yields are to be established by the Secretary of Agriculture at levels that would be comparable to current AMTA yields. We assume that would result in a national average soybean payment yield of 30 bushels per acre. Alternative formulas result in soybean payment yield estimates slightly smaller or slightly larger than 30 bushels per acre.

Conservation Reserve Program

In addition to these commodity program provisions, the analysis incorporates the proposed increase in the area that can be enrolled in the CRP from the current limit of 36.4 million acres to 40 million acres. We assume that this will result in actual 2007 CRP area of 39.5 million acres compared to the baseline level of 36.2 million acres.

Other provisions

This preliminary analysis does *not* incorporate changes in the peanut, sugar, dairy, wool, and mohair programs. Increased spending on the Environmental Quality Incentive Program and other conservation, trade, research, nutrition, and rural development programs are also excluded from this preliminary analysis.

Key Results

Potential impacts of the provisions in the concept paper are evaluated by comparing a scenario with the proposed policy changes to a baseline that continues current policies through 2011. To capture uncertainties associated with weather and a host of other variables, we estimate the distribution of likely outcomes rather than just a single “most likely” outcome. Unless otherwise stated, results reported here are the means of those distributions.

Supply and use impacts

The concept paper scenario generally has only modest impacts on commodity supply and demand. For nine major crops, total planted acreage increases relative to the baseline by approximately 1.3 million acres (0.4%) in 2002 and by less in subsequent years. Soybean acreage falls slightly, while the area planted to other crops expands. These relatively small effects can be explained by the influence of several offsetting factors.

- The additional payments relative to the baseline tend to increase crop acreage. The fact that the fixed and counter-cyclical payments do not depend on current planting decisions suggests that the acreage effect is smaller than if the same amount of payments were provided through more coupled programs.
- Allowing producers to update program bases is also likely to contribute to an increase in planted area. Even though payments under this program are not tied to current planted area, producers might anticipate that a future program may again allow them to update their payment base.
- Conversely, the reduction in oilseed loan rates tends to reduce area planted, especially the area planted to oilseeds.
- The increased size of the CRP also tends to reduce the area planted to major crops. Slippage effects and other factors mean that a one-acre increase in CRP enrollment reduces the area planted to major program crops by much less than one acre.

The modest changes in acreage drive the relatively small effects of the scenario on prices, use, and exports. Grain and cotton prices fall slightly in response to increased production, while soybean prices increase slightly in response to reduced production. Given small changes in feed prices, impacts of these crop policy reforms on the livestock sector would be minor. Detailed impacts on crop acreage and prices are given in Tables 3 and 4.

Crop returns

Impacts on crop returns are given in Tables 5a thru 5d. Under the Concept paper, returns for all crops increase relative to the baseline due primarily to the additional counter-cyclical payments. For example, the contribution of government payments to overall wheat returns increases from an average of 10 percent to 15 percent over the period of analysis. The increase in soybean net returns averages \$7 per acre with a portion of the

additional fixed and counter-cyclical payments being offset by the lower loan rate. The increased government payments reduce the relationships between variable costs and total returns. In the case of cotton, variable expenses average 65% of total returns under the baseline. The provisions of the Concept Paper reduce the percentage to 59%. Similar declines are seen in other crops as well.

Government outlay and farm income impacts

The major program crop and CRP provisions of the concept paper increase Commodity Credit Corporation (CCC) net outlays by an estimated \$41.4 billion over the FY 2002-2011 period. This estimate compares to the Congressional Budget Office estimate of \$50.3 billion reported in the concept paper (\$48.9 billion for program crops plus \$1.4 billion for CRP).

Net CCC outlays increase for all major crops. In the case of wheat and other crops with a smaller payment base under the scenario, outlays increase because the increased spending associated with the new counter-cyclical payment program outweighs the effect of a smaller base. In the case of soybeans, savings associated with the lower loan rate are more than offset by the new fixed and counter-cyclical payments.

Over the period from fiscal years 2003 to 2010, net CCC outlays under the concept paper scenario average \$15.8 billion per year. This represents an increase of \$4.8 billion per year relative to the baseline, which had an average spending level of \$11.0 billion. As shown in Table 6, spending increases more in the early years of the analysis as crop prices are lower. Strengthening prices in the later years lead to smaller increases in spending relative to baseline policies.

Net farm income increases by an average of \$4.1 billion above baseline levels. Thus, approximately 86 percent of the increase in government outlays shows up as an increase in net farm income. The increase in payments results in a modest increase in production costs, some of which are associated with the estimated increase in crop acreage.

Variability in the sector

Actual levels of production, prices, government outlays, and farm income in any given year may be very different from these averages. Also of interest are the distributions around many of these measures. Figure 1 shows the probability that the average net returns above variable costs for eight major crops in 2005 will fall in different intervals. The proposals outlined in the concept paper would increase average net returns and reduce the probability of low net returns. In the baseline, there is more than a 60 percent chance that average net returns will fall below \$140 per acre, but in the scenario there is only a 15 percent chance that returns will fall below that level.

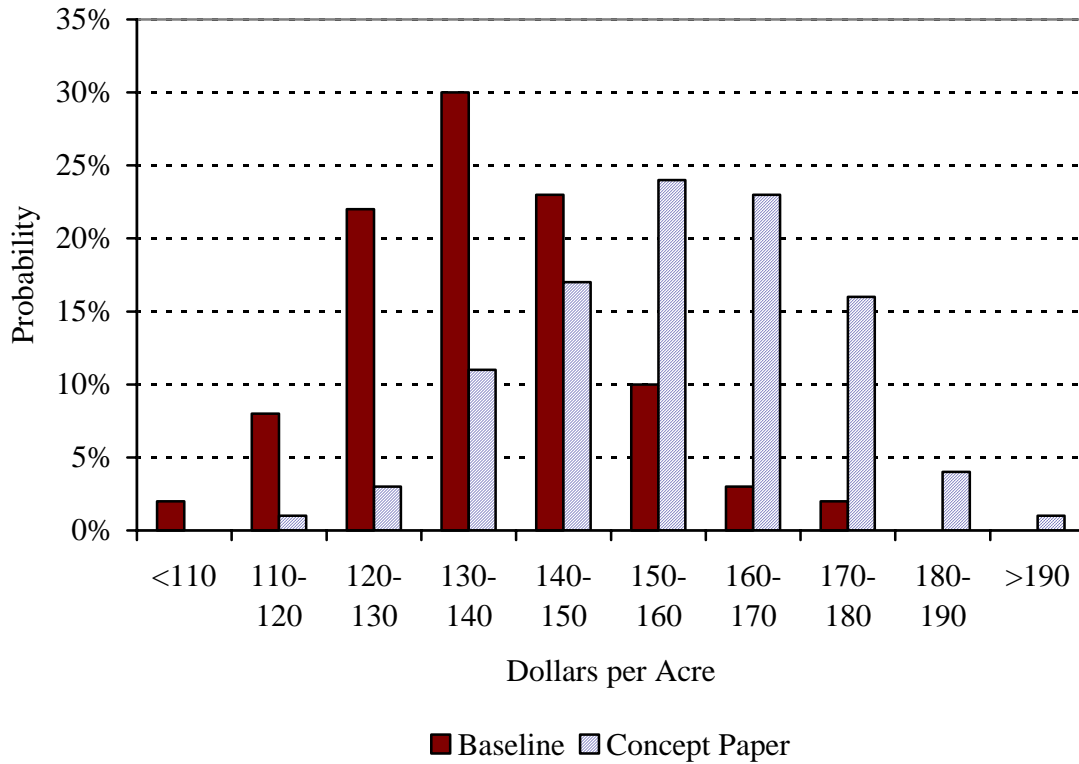


Figure 1. Eight-crop net returns, dollars per acre

Concluding comment

This document reflects FAPRI’s preliminary estimate of the consequences of certain features of the “Draft Farm Bill Concept Paper” prepared by the House Agriculture Committee. The estimates are subject to revision.

Table 3. Impacts of the Draft Farm Bill Concept Paper on Planted Acreage

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
9-Crop Total	(Million Acres)								
Baseline Policies	256.94	257.38	257.83	258.19	258.77	259.21	259.55	259.97	258.48
House Concept Paper	258.22	258.43	258.67	258.80	259.15	259.46	259.72	260.05	259.06
Difference	1.28	1.05	0.83	0.62	0.38	0.25	0.18	0.08	0.58
Wheat									
Baseline Policies	62.12	62.55	62.81	63.04	63.37	63.76	63.90	64.17	63.21
House Concept Paper	62.76	63.07	63.25	63.36	63.62	63.94	64.03	64.27	63.54
Difference	0.64	0.52	0.44	0.32	0.25	0.18	0.14	0.10	0.32
Corn									
Baseline Policies	79.96	79.98	79.97	80.14	80.51	80.47	80.47	80.53	80.25
House Concept Paper	80.74	80.61	80.49	80.57	80.85	80.71	80.67	80.71	80.67
Difference	0.79	0.63	0.52	0.43	0.34	0.24	0.20	0.18	0.42
Sorghum									
Baseline Policies	9.30	9.26	9.20	9.17	9.14	9.07	9.03	9.00	9.15
House Concept Paper	9.73	9.62	9.52	9.44	9.34	9.24	9.17	9.10	9.40
Difference	0.43	0.37	0.32	0.28	0.20	0.16	0.14	0.10	0.25
Barley									
Baseline Policies	5.84	5.84	5.78	5.72	5.70	5.65	5.63	5.61	5.72
House Concept Paper	5.93	5.92	5.85	5.78	5.74	5.68	5.65	5.63	5.77
Difference	0.09	0.08	0.06	0.05	0.04	0.03	0.02	0.02	0.05
Oats									
Baseline Policies	4.07	4.07	4.06	4.01	3.96	3.91	3.84	3.79	3.96
House Concept Paper	4.14	4.14	4.11	4.05	4.00	3.94	3.87	3.81	4.01
Difference	0.07	0.07	0.06	0.05	0.04	0.03	0.02	0.02	0.04
Soybeans									
Baseline Policies	74.20	74.28	74.62	74.76	74.80	75.06	75.45	75.70	74.86
House Concept Paper	73.30	73.52	73.93	74.15	74.22	74.60	75.05	75.32	74.26
Difference	-0.89	-0.76	-0.69	-0.61	-0.58	-0.46	-0.40	-0.38	-0.60
Sunflowers									
Baseline Policies	2.73	2.72	2.74	2.75	2.75	2.77	2.78	2.78	2.75
House Concept Paper	2.68	2.69	2.71	2.72	2.73	2.75	2.76	2.77	2.73
Difference	-0.04	-0.03	-0.03	-0.03	-0.02	-0.02	-0.02	-0.02	-0.03
Upland Cotton									
Baseline Policies	15.35	15.29	15.26	15.23	15.17	15.17	15.12	15.07	15.21
House Concept Paper	15.52	15.44	15.40	15.34	15.26	15.24	15.18	15.12	15.31
Difference	0.17	0.15	0.13	0.11	0.09	0.07	0.06	0.05	0.11
Rice									
Baseline Policies	3.39	3.39	3.39	3.38	3.37	3.35	3.33	3.31	3.36
House Concept Paper	3.41	3.41	3.41	3.39	3.38	3.36	3.34	3.32	3.38
Difference	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.02

Table 4. Impacts of the Draft Farm Bill Concept Paper on Crop Prices

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
Wheat (Dollars per Bushel)									
Baseline Policies	3.02	3.09	3.16	3.25	3.34	3.40	3.47	3.57	3.29
House Concept Paper	2.99	3.06	3.14	3.23	3.33	3.39	3.46	3.56	3.27
Difference	-0.03	-0.03	-0.03	-0.02	-0.02	-0.01	-0.01	-0.01	-0.02
Corn									
Baseline Policies	2.11	2.15	2.22	2.29	2.36	2.42	2.49	2.56	2.32
House Concept Paper	2.06	2.10	2.18	2.26	2.33	2.41	2.47	2.55	2.30
Difference	-0.04	-0.04	-0.04	-0.03	-0.02	-0.02	-0.01	-0.01	-0.03
Sorghum									
Baseline Policies	1.89	1.93	2.01	2.08	2.13	2.19	2.25	2.32	2.10
House Concept Paper	1.83	1.87	1.96	2.04	2.10	2.16	2.23	2.31	2.06
Difference	-0.06	-0.06	-0.05	-0.04	-0.03	-0.02	-0.02	-0.02	-0.04
Barley									
Baseline Policies	2.27	2.29	2.33	2.39	2.44	2.48	2.54	2.60	2.42
House Concept Paper	2.22	2.24	2.29	2.35	2.41	2.47	2.52	2.59	2.39
Difference	-0.05	-0.05	-0.04	-0.03	-0.03	-0.02	-0.01	-0.01	-0.03
Oats									
Baseline Policies	1.24	1.26	1.29	1.33	1.36	1.39	1.42	1.46	1.35
House Concept Paper	1.20	1.22	1.26	1.30	1.33	1.37	1.41	1.44	1.32
Difference	-0.04	-0.04	-0.04	-0.03	-0.03	-0.02	-0.02	-0.01	-0.03
Soybeans									
Baseline Policies	4.76	4.95	5.07	5.19	5.36	5.50	5.63	5.72	5.27
House Concept Paper	4.82	5.00	5.12	5.23	5.40	5.53	5.66	5.75	5.31
Difference	0.06	0.05	0.04	0.04	0.04	0.03	0.03	0.03	0.04
Sunflowers (Dollars per Hundredweight)									
Baseline Policies	8.66	8.97	9.21	9.45	9.78	10.07	10.33	10.59	9.63
House Concept Paper	8.79	9.09	9.31	9.53	9.86	10.14	10.39	10.64	9.72
Difference	0.13	0.12	0.09	0.08	0.08	0.07	0.06	0.06	0.09
Upland Cotton (Dollars per Pound)									
Baseline Policies	0.551	0.556	0.562	0.569	0.580	0.587	0.596	0.605	0.576
House Concept Paper	0.546	0.552	0.558	0.566	0.577	0.584	0.594	0.603	0.572
Difference	-0.005	-0.005	-0.004	-0.004	-0.003	-0.002	-0.002	-0.002	-0.003
Rice (Dollars per Hundredweight)									
Baseline Policies	7.00	7.07	7.28	7.43	7.70	7.79	7.99	8.20	7.56
House Concept Paper	6.91	6.98	7.20	7.36	7.64	7.74	7.95	8.16	7.49
Difference	-0.09	-0.08	-0.08	-0.07	-0.06	-0.05	-0.04	-0.04	-0.06

Table 5a. Impacts of the Draft Farm Bill Concept Paper on Crop Returns

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
Wheat									
	(Dollars per Acre)								
Gross Returns, Baseline	143	146	149	154	158	162	166	171	156
Market	126	130	134	139	144	148	152	157	141
LDP/MLG	4	3	2	1	1	1	0	0	1
Fixed Payments	13	13	13	13	13	13	13	13	13
Gov't Payments/Gross	12%	11%	10%	10%	9%	9%	8%	8%	10%
Gross Returns, Concept Paper	158	159	161	163	165	168	171	175	165
Market	124	128	133	138	143	147	152	157	140
LDP/MLG	4	3	2	1	1	1	0	0	2
Fixed Payments	13	13	13	13	13	13	13	13	13
CCPs	16	14	12	10	8	7	5	4	10
Gov't Payments/Gross	21%	19%	17%	15%	13%	12%	11%	10%	15%
Variable Costs	65	65	66	67	68	70	71	73	68
Net Returns, Baseline	78	80	83	86	90	92	94	98	88
Net Returns, Concept Paper	93	94	95	96	97	98	99	102	97
Difference	15	13	11	9	7	6	5	4	9
Variable Costs/Gross Returns									
Baseline	45%	45%	44%	44%	43%	43%	43%	43%	44%
Concept Paper	41%	41%	41%	41%	41%	42%	42%	42%	41%
Com									
	(Dollars per Acre)								
Gross Returns, Baseline	334	340	350	362	372	385	398	414	369
Market	291	301	314	329	343	357	371	387	337
LDP/MLG	20	16	13	10	6	5	4	4	10
Fixed Payments	23	23	23	23	23	23	23	23	23
Gov't Payments/Gross	13%	12%	10%	9%	8%	7%	7%	6%	9%
Gross Returns, Concept Paper	366	370	377	384	391	401	411	425	391
Market	285	295	309	325	340	355	369	385	333
LDP/MLG	24	20	16	12	7	6	4	4	12
Fixed Payments	23	23	23	23	23	23	23	23	23
CCPs	34	33	29	24	21	18	15	13	23
Gov't Payments/Gross	22%	20%	18%	15%	13%	12%	10%	9%	15%
Variable Costs	176	177	180	183	187	191	195	200	186
Net Returns, Baseline	158	163	171	179	185	194	202	213	183
Net Returns, Concept Paper	190	193	198	201	204	211	216	225	205
Difference	32	30	27	22	19	16	14	11	21
Variable Costs/Gross Returns									
Baseline	53%	52%	51%	50%	50%	50%	49%	48%	50%
Concept Paper	48%	48%	48%	48%	48%	47%	47%	47%	48%

Table 5b. Impacts of the Draft Farm Bill Concept Paper on Crop Returns

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
Sorghum									
	(Dollars per Acre)								
Gross Returns, Baseline	152	154	159	163	166	171	176	182	165
Market	129	133	139	145	149	154	159	165	147
LDP/MLG	7	6	5	3	2	2	1	1	3
Fixed Payments	15	15	15	15	15	15	15	15	15
Gov't Payments/Gross	15%	14%	12%	11%	10%	10%	9%	9%	11%
Gross Returns, Concept Paper	175	175	177	178	180	183	185	190	180
Market	125	129	135	142	147	152	158	164	144
LDP/MLG	19	16	13	10	7	6	4	4	10
Fixed Payments	15	15	15	15	15	15	15	15	15
CCPs	16	15	14	12	11	9	8	6	11
Gov't Payments/Gross	28%	27%	24%	20%	18%	17%	15%	13%	20%
Variable Costs	93	94	94	96	97	99	101	104	97
Net Returns, Baseline	59	60	64	67	69	72	74	78	68
Net Returns, Concept Paper	82	82	83	82	82	83	84	86	83
Difference	23	21	18	15	14	12	9	8	15
Variable Costs/Gross Returns									
Baseline	61%	61%	59%	59%	59%	58%	58%	57%	59%
Concept Paper	53%	53%	53%	54%	54%	54%	55%	55%	54%
Barley									
	(Dollars per Acre)								
Gross Returns, Baseline	160	162	164	167	170	174	178	183	170
Market	143	146	150	155	159	164	168	174	157
LDP/MLG	9	9	6	5	3	2	1	1	5
Fixed Payments	8	8	8	8	8	8	8	8	8
Gov't Payments/Gross	10%	10%	9%	7%	6%	6%	5%	5%	7%
Gross Returns, Concept Paper	170	172	173	175	177	180	183	188	177
Market	140	143	147	152	157	162	168	173	155
LDP/MLG	11	11	8	6	4	3	2	2	6
Fixed Payments	8	8	8	8	8	8	8	8	8
CCPs	11	10	10	9	8	7	6	5	8
Gov't Payments/Gross	18%	17%	15%	13%	11%	10%	8%	8%	12%
Variable Costs	91	92	93	94	96	98	100	102	96
Net Returns, Baseline	69	71	71	73	74	76	78	81	74
Net Returns, Concept Paper	79	80	80	81	81	82	83	85	81
Difference	10	9	9	8	7	6	5	4	7
Variable Costs/Gross Returns									
Baseline	57%	56%	57%	56%	56%	56%	56%	56%	56%
Concept Paper	53%	53%	54%	54%	54%	54%	55%	54%	54%

Table 5c. Impacts of the Draft Farm Bill Concept Paper on Crop Returns

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
Oats									
	(Dollars per Acre)								
Gross Returns, Baseline	84	85	86	89	90	92	94	96	89
Market	75	76	79	81	83	86	88	90	82
LDP/MLG	9	8	7	7	6	5	5	4	6
Fixed Payments	1	1	1	1	1	1	1	1	1
Gov't Payments/Gross	11%	11%	9%	8%	8%	7%	6%	6%	8%
Gross Returns, Concept Paper	92	93	93	94	96	97	98	100	95
Market	73	74	76	79	82	84	87	89	80
LDP/MLG	10	10	8	8	7	6	5	5	7
Fixed Payments	1	1	1	1	1	1	1	1	1
CCPs	9	8	8	7	6	5	5	5	7
Gov't Payments/Gross	21%	20%	18%	16%	15%	13%	11%	10%	16%
Variable Costs	55	55	56	57	58	59	60	61	58
Net Returns, Baseline	29	30	30	32	32	33	34	34	32
Net Returns, Concept Paper	37	37	37	38	38	38	38	38	38
Difference	8	7	7	6	5	5	4	4	6
Variable Costs/Gross Returns									
Baseline	65%	65%	65%	64%	64%	64%	64%	64%	64%
Concept Paper	60%	60%	60%	60%	60%	61%	61%	62%	61%
Soybeans									
	(Dollars per Acre)								
Gross Returns, Baseline	226	230	234	238	243	248	254	259	241
Market	192	201	209	216	226	234	241	247	221
LDP/MLG	34	28	25	22	17	14	13	12	21
Fixed Payments	0	0	0	0	0	0	0	0	0
Gov't Payments/Gross	15%	12%	11%	9%	7%	6%	5%	4%	9%
Gross Returns, Concept Paper	233	236	241	244	249	255	261	266	248
Market	194	204	211	218	227	235	243	249	222
LDP/MLG	21	16	14	12	8	6	6	6	11
Fixed Payments	9	9	9	9	9	9	9	9	9
CCPs	9	8	7	6	5	4	4	3	6
Gov't Payments/Gross	17%	14%	12%	11%	9%	8%	7%	7%	10%
Variable Costs	84	86	87	89	91	93	96	98	91
Net Returns, Baseline	142	144	147	149	152	155	158	161	151
Net Returns, Concept Paper	148	151	153	155	158	161	165	168	158
Difference	7	6	7	6	7	7	7	7	7
Variable Costs/Gross Returns									
Baseline	37%	37%	37%	37%	38%	38%	38%	38%	38%
Concept Paper	36%	36%	36%	36%	37%	37%	37%	37%	36%

Table 5d. Impacts of the Draft Farm Bill Concept Paper on Crop Returns

Crop Year	2003	2004	2005	2006	2007	2008	2009	2010	Average
Cotton									
	(Dollars per Acre)								
Gross Returns, Baseline	406	410	414	418	425	431	437	446	423
Market	355	361	367	374	384	390	398	406	380
LDP/MLG	23	20	18	16	13	12	10	11	15
Fixed Payments	28	28	28	28	28	28	28	28	28
Gov't Payments/Gross	13%	12%	11%	11%	10%	9%	9%	9%	10%
Gross Returns, Concept Paper	462	464	466	467	470	473	476	481	470
Market	352	358	364	372	382	389	397	405	377
LDP/MLG	24	21	20	17	14	13	11	11	16
Fixed Payments	28	28	28	28	28	28	28	28	28
CCPs	58	56	54	51	46	44	40	36	48
Gov't Payments/Gross	24%	23%	22%	20%	19%	18%	17%	16%	20%
Variable Costs	258	262	265	271	277	283	290	297	275
Net Returns, Baseline	148	148	148	147	149	148	147	148	148
Net Returns, Concept Paper	204	202	200	197	194	191	187	184	195
Difference	56	54	52	49	45	42	39	35	47
Variable Costs/Gross Returns									
Baseline	64%	64%	64%	65%	65%	66%	66%	67%	65%
Concept Paper	56%	56%	57%	58%	59%	60%	61%	62%	59%
Rice									
	(Dollars per Acre)								
Gross Returns, Baseline	638	643	649	657	665	672	682	690	662
Market	426	433	449	462	482	491	507	524	472
LDP/MLG	129	126	116	112	99	98	92	83	107
Fixed Payments	84	84	84	84	84	84	84	84	84
Gov't Payments/Gross	33%	33%	31%	30%	28%	27%	26%	24%	29%
Gross Returns, Concept Paper	698	702	700	704	704	709	714	718	706
Market	421	428	444	457	478	487	504	521	468
LDP/MLG	130	127	117	112	100	99	92	83	108
Fixed Payments	84	84	84	84	84	84	84	84	84
CCPs	64	63	55	51	42	40	34	30	47
Gov't Payments/Gross	40%	39%	36%	35%	32%	31%	29%	27%	34%
Variable Costs	396	399	403	409	417	424	433	443	416
Net Returns, Baseline	243	244	246	247	248	248	249	247	247
Net Returns, Concept Paper	302	303	297	294	287	285	280	275	290
Difference	60	59	51	47	38	37	32	27	44
Variable Costs/Gross Returns									
Baseline	62%	62%	62%	62%	63%	63%	64%	64%	63%
Concept Paper	57%	57%	58%	58%	59%	60%	61%	62%	59%

Table 6. Impacts of the Draft Farm Bill Concept Paper on Net CCC Outlays*

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net CCC Outlays	(Million Dollars)								
Baseline Policies	13,155	13,030	12,671	11,987	11,408	10,669	9,869	9,491	9,229
House Concept Paper	13,728	19,321	18,707	17,691	16,621	15,153	13,803	13,009	12,264
Difference	573	6,291	6,036	5,704	5,213	4,485	3,934	3,518	3,035
Wheat									
Baseline Policies	1,353	1,281	1,217	1,179	1,143	1,116	1,103	1,089	1,081
House Concept Paper	1,315	2,581	2,321	2,154	1,974	1,781	1,606	1,509	1,404
Difference	(38)	1,301	1,104	975	831	665	503	420	323
Corn									
Baseline Policies	3,261	3,328	3,297	3,004	2,773	2,532	2,257	2,195	2,111
House Concept Paper	3,303	6,445	6,393	5,931	5,376	4,641	4,071	3,737	3,379
Difference	42	3,117	3,096	2,927	2,603	2,109	1,814	1,542	1,268
Sorghum									
Baseline Policies	286	284	275	262	246	229	220	218	213
House Concept Paper	287	560	537	500	451	395	362	333	302
Difference	1	276	262	238	205	166	142	115	88
Barley									
Baseline Policies	153	165	170	160	143	128	118	109	103
House Concept Paper	146	279	278	257	237	208	187	167	150
Difference	(8)	113	108	97	94	80	69	57	47
Oats									
Baseline Policies	39	27	24	22	20	19	18	16	15
House Concept Paper	39	68	65	60	57	50	46	41	37
Difference	(0)	41	41	39	37	31	28	24	22
Soybeans									
Baseline Policies	3,092	2,942	2,590	2,164	1,927	1,665	1,323	1,076	980
House Concept Paper	3,568	2,946	2,612	2,212	2,027	1,780	1,472	1,267	1,194
Difference	476	4	22	48	100	115	150	191	215
Minor Oilseeds									
Baseline Policies	246	234	202	160	130	101	69	54	55
House Concept Paper	259	209	179	138	112	85	56	44	47
Difference	13	(25)	(23)	(22)	(18)	(16)	(13)	(10)	(8)
Upland Cotton									
Baseline Policies	1,001	981	972	909	857	816	784	768	736
House Concept Paper	1,071	2,115	2,089	1,986	1,891	1,795	1,681	1,614	1,517
Difference	69	1,134	1,117	1,078	1,034	979	896	846	781
Rice									
Baseline Policies	880	838	772	759	724	700	656	648	618
House Concept Paper	897	1,173	1,059	1,039	969	928	846	828	775
Difference	17	335	287	280	245	228	190	180	157

* Net CCC Outlays for FY2011 are \$8.98 billion under the baseline and \$11.61 billion under the scenario.

Table 7. Change in Net Outlays under the Draft Farm Bill Concept Paper

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
	(Million Dollars)								
Net CCC Outlays	573	6,291	6,036	5,704	5,213	4,485	3,934	3,518	3,035
Change in Fixed Payments	509	509	509	509	509	509	509	509	509
Change in CCPs	0	6,533	6,123	5,719	5,192	4,444	3,830	3,364	2,875
Change in Loan/Other	64	(751)	(620)	(572)	(574)	(603)	(564)	(513)	(507)
Change in CRP Outlays	0	0	24	48	86	134	158	158	158
Wheat Outlays	(38)	1,301	1,104	975	831	665	503	420	323
Change in Fixed Payments	(68)	(68)	(68)	(68)	(68)	(68)	(68)	(68)	(68)
Change in CCPs	0	1,336	1,146	1,025	889	728	568	487	390
Change in Loan/Other	30	33	27	18	10	5	3	2	1
Corn Outlays	42	3,117	3,096	2,927	2,603	2,109	1,814	1,542	1,268
Change in Fixed Payments	14	14	14	14	14	14	14	14	14
Change in CCPs	0	2,871	2,791	2,645	2,388	1,959	1,718	1,479	1,225
Change in Loan/Other	28	233	292	268	201	136	83	50	29
Sorghum Outlays	1	276	262	238	205	166	142	115	88
Change in Fixed Payments	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Change in CCPs	0	184	175	168	154	130	120	103	86
Change in Loan/Other	31	123	118	101	82	66	52	43	33
Barley Outlays	(8)	113	108	97	94	80	69	57	47
Change in Fixed Payments	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Change in CCPs	0	114	107	97	97	86	78	68	59
Change in Loan/Other	6	13	15	14	10	8	5	3	2
Oat Outlays	(0)	41	41	39	37	31	28	24	22
Change in Fixed Payments	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Change in CCPs	0	40	40	38	37	32	29	26	23
Change in Loan/Other	2	3	3	3	2	1	1	1	0
Soybean Outlays	476	4	22	48	100	115	150	191	215
Change in Fixed Payments	522	522	522	522	522	522	522	522	522
Change in CCPs	0	612	551	478	432	383	308	252	228
Change in Loan/Other	(46)	(1,130)	(1,052)	(952)	(854)	(791)	(681)	(583)	(535)
Minor Oilseed Outlays	13	(25)	(23)	(22)	(18)	(16)	(13)	(10)	(8)
Change in Fixed Payments	14	14	14	14	14	14	14	14	14
Change in CCPs	0	14	13	11	10	8	7	5	5
Change in Loan/Other	(0)	(53)	(49)	(46)	(41)	(38)	(34)	(29)	(26)
Upland Cotton Outlays	69	1,134	1,117	1,078	1,034	979	896	846	781
Change in Fixed Payments	62	62	62	62	62	62	62	62	62
Change in CCPs	0	1,048	1,034	996	957	906	829	779	716
Change in Loan/Other	8	24	21	20	15	11	6	5	4
Rice Outlays	17	335	287	280	245	228	190	180	157
Change in Fixed Payments	12	12	12	12	12	12	12	12	12
Change in CCPs	0	313	268	262	228	211	175	166	143
Change in Loan/Other	5	10	8	6	6	5	3	3	2