

# Agricultural Update

August 6, 1999

## Government Programs

The U.S. Department of Agriculture is providing \$11.9 million through its Emergency Watershed Protection (EWP) Program in eight states to purchase floodplain easements. The easement monies will protect more than 18,000 acres of flood prone land in California, Colorado, Missouri, Minnesota, North Dakota, South Dakota, Tennessee, and Texas. Funding was made available through the disaster supplemental appropriations bill passed earlier this year.

## Historical Commodity Loan Information

The 1996 Farm Bill placed a government supported price floor on program commodities for program participants. County loan rates were established that allow participants to select one of two options when commodity prices fall below loan rate prices: 1) receive, as a cash payment, the difference between the posted county price and county loan rate; 2) place commodity production under government loan at the county loan rate. If the producer opts to take the loan, then within 9 months of placing grain under loan he/she has two other choices. The producer has the choice of repaying the loan plus interest should the posted county price rise above the county loan rate or forfeit the grain to the government should the posted county price be below the loan rate at the end of the 9 month period. One of the goals of "Freedom to Farm" was to remove the government's role of owning grain. Given current loan rates, it was believed that cash price would rise sufficiently during the nine-month period to allow the producer to redeem the loan. As many know, 1998/99 crop prices did not increase sufficiently to make it advantageous for producers to redeem loans on grain under loan. Below is a summary, to date, of the 1998 commodity loan information and 1997 and 1999 crops. For corn, almost 1 billion bushels remain under loan. This indicates that most producers took out the loan after the Fall harvest as 9 months have passed for these persons. So will the government end-up owning a lot of grain? Before farmers redeem their loan the cash price will have to rise above the county loan rate to cover interest costs. If this happens, and we have seen cash prices increase significantly as of late, farmers will redeem their loan, sell the grain, and the government will be left holding minimal stocks.

### Commodity Loan Activity Reported as of July 27, 1999

Item	Wheat	Corn	Grain Sorghum	Barley	Oats	Soybeans
	Million Bushels	Mil. Bu.	Mil. Cwt.	Million Bushels	Mil. Bu.	
<b>1997 Crop</b>						
Put Under Loan	264	1,139.90	17.5	9.8	33.3	2.4
Redeemed	246	1,118.10	16.6	9.3	31.8	2.3
Acquired by CCC	18	21.5	0.9	0.5	1.5	0.1
9-Mo Outstanding	0	0.3	0	0	0	0.1
<b>1998 Crop</b>						
Put Under Loan	359.9	1,728.40	21.3	11.9	25.4	4.5
Redeemed	255.5	790.3	11.6	6.5	18	3.3
Acquired by CCC	25.2	1.2	0.2	0.1	1.3	0.3
9-Mo Outstanding	79.2	936.9	9.5	5.3	6.1	0.9

<b>1999 Crop</b>						
Put Under Loan	33.6	0.2	0.9	0.5	0.4	0.1
Redeemed	2.5	0	0	0	0	0
Acquired by CCC	0	0	0	0	0	0
9-Mo Outstanding	31.1	0.2	0.9	0.5	0.4	0.1
Tot 9-Mo Outstand	110.3	937.4	10.4	5.8	6.5	1
						140.6

### Missouri County Corn, Soybean, and Wheat Production History Web Site

This Web Site contains graphics on acres planted, acres harvested, production, and yield for 84 Missouri counties. The crops corn, soybean, and wheat are available at this time. Cotton and Rice will be added this Fall. Additionally, historical yield risk is compared between corn, soybean, and wheat in the listed counties. Comparing yield risk between crops can help producers determine which crops have historically been more risky than others. In the future, the information on this Web Site will be used for an analysis of how crop insurance alternatives would have performed historically. Producer interest in crop insurance that insures against production or revenue loss will continue to increase as the memory of low revenue due to low prices or poor production during the past two years lingers. This web site can be accessed through AgEBB on the Farm Programs Web Site.

#### **Web Sites to Check**

- [Missouri Grain Summary by County](#)
- [Emergency Watershed Protection](#)
- [Kansas State University's Risk Management Page](#)

**Prepared by Joe Parcell, Extension Economist, Department of Agricultural Economics, University of Missouri. To contact Joe, call 573-882-6533, or e-mail [parcellj@missouri.edu](mailto:parcellj@missouri.edu). All copies of this publication are accessible through [AgEBB](#).**

[University Outreach and  
Extension](#)

|      [AgEBB](#)      |

[College of Agriculture, Food,  
and Natural Resources](#)

