The View From The Farm
USDA Ag Outlook Conf

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The Agenda

- Short Term Concerns
- Agriculture Today
  - What's A Family Farm
- Longer Term Concerns
  - Trade Position
  - How To Approach Policy Reform

Acknowledgements

- Economic Research Service
  - Special nod to ARMS
- USDA Photo Lab
- NASS

Short Term Concerns

- Will Work Closely With Congress As They Go Through Budget Process
- Our Membership Made Long-Term Commitment In 2002 Farm Bill, Would Hope…
- Think It Foolish To Unilaterally Disarm At This Point

Report of the Commission on the Application of Payment Limitations for Agriculture

- **Any substantial changes should take place with reauthorization of the next Farm Bill.**
  - The 2002 Farm Bill establishes farm payment programs, including payment limits,through the 2007 crop year. While farm bills can be changed, their multiyear nature provides stability for production agriculture. Producers, their lenders, and other agribusiness firms make long-term investment decisions based on this multiyear legislation. Consequently, if substantial changes are to be made in payment limits, payment eligibility criteria, or regulations administering payment limits, such changes should be part of the reauthorization of the

What's A "Family" Farm

- It's not an operation with 5 cows, 6 horses, two pigs and 12 chickens anymore…

Family Farms Today..

- Diverse as any other sector in business.
- Diverse business structures
  - Sometimes even incorporate
  - Or form partnerships
  - Sometimes have to get big to support multiple families

Farm Family Income Calculations

- National Average Family Income In 2003
  - $52,000
- How big does a farming operation have to be to provide $52,000 in net income from agricultural sources?
- Off-farm income points acknowledged…

FarmResponse2 - Microsoft Internet Explorer

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Address http://www.ers.usda.gov/data/arms/app/FarmResponse.aspx

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United States Department of Agriculture

The Economics of Food, Farming, Natural Resources, and Rural America

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home > data > farm business and household survey data

data

farm business and household survey data: customized data summaries from ARMS

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Your Results

Expand/collapse the title bars to review your results—choose to see All at once, or review individual reports below one at a time.

Farm Business Income Statement, for All Farms, by Production Specialty, for 2003

CSV Excel HTML Chart

Item	General cash grains	Wheat	Corn	Soybean	Tobacco, cotton, peanuts	Other field crop	Fruit, vegetables, nursery	Cattle	Hogs	Poultry	Dairy	General livestock	All farms
	Number (RSE†)												
Farms	85,503 (5.9)	47,847 (8.5)	113,750 (4.4)	58,732 (9.4)	51,640 (7.9)	366,835 (3.4)	125,942 (7.5)	736,600 (2.2)	18,747 (15.5)	38,523 (9.3)	75,011 (6.4)	401,977 (4.4)	2,121,107 (.0)
	Dollars (RSE†)												
Gross cash income	210,656 (4.7)	121,907 (6.9)	178,621 (4.9)	91,717 (10.2)	155,647 (6.9)	32,538 (4.5)	263,112 (22.0)	44,989 (10.2)	370,549 (18.5)	190,294 (19.6)	275,108 (8.2)	20,608 (14.7)	84,388 (3.0)
Livestock income	25,921 (12.2)	11,103 (13.6)	4,488 (20.2)	1,472 (21.8)	2,604 (16.8)	1,958 (16.2)	545 (47.3)	34,060 (11.4)	270,101 (22.4)	99,229 (34.0)	233,699 (8.8)	12,106 (18.8)	28,588 (6.0)
Crop sales	130,718 (5.2)	67,122 (9.7)	130,695 (5.1)	67,493 (9.6)	109,803 (7.5)	18,196 (7.0)	231,945 (26.4)	2,772 (15.0)	41,927 (13.1)	8,863 (31.8)	12,260 (12.6)	1,311 (20.6)	37,429 (8.6)
Government payments	25,954 (9.4)	21,525 (7.2)	15,530 (5.0)	10,645 (11.2)	21,721 (7.2)	4,251 (4.2)	2,465 (14.4)	2,036 (8.9)	7,393 (13.1)	1,944 (17.5)	15,842 (5.8)	642 (11.4)	5,559 (2.8)
Other farm-related income 1/	28,064 (7.0)	22,157 (10.0)	27,909 (9.5)	12,107 (18.4)	21,518 (8.7)	8,133 (5.0)	28,157 (14.6)	6,121 (13.9)	51,128 (22.4)	80,258 (8.7)	13,307 (15.5)	6,549 (31.0)	12,812 (4.6)
Total cash expenses	155,320 (5.3)	90,798 (7.7)	138,448 (5.4)	67,066 (9.3)	108,834 (7.3)	26,295 (4.6)	203,584 (15.5)	39,410 (9.7)	290,021 (19.5)	130,930 (20.2)	213,886 (8.7)	27,849 (12.1)	68,345 (2.3)
Variable expenses	107,376 (5.4)	65,061 (7.8)	91,353 (6.2)	45,920 (8.7)	85,373 (7.4)	17,986 (5.2)	173,270 (14.6)	31,170 (11.2)	251,691 (21.4)	109,415 (23.6)	185,953 (9.2)	22,331 (13.5)	53,288 (2.7)
Livestock purchases	2,442 (18.2)	1,299 (46.3)	2,403 (42.4)	354* (62.6)	388* (200.3)	328 (29.6)	58 (47.8)	8,667 (20.6)	26,293 (23.3)	20,178 (98.5)	591 (33.6)	3,030 (24.3)	4,540 (12.4)
Feed	4,713 (22.1)	1,526 (21.7)	2,865 (66.0)	715 (30.5)	691 (12.9)	662 (10.3)	187 (31.0)	7,285 (15.7)	120,864 (24.3)	32,219 (52.9)	82,290 (11.4)	7,093 (20.2)	8,978 (7.6)
Other livestock-related 2/	1,239 (16.1)	462 (13.4)	533 (49.0)	102 (24.3)	146 (23.2)	179 (12.1)	337 (20.7)	1,100 (4.7)	11,504 (24.5)	**	11,169 (15.6)	1,831 (23.4)	1,457 (8.7)
Seed and	15,891	7,121	16,203	8,849	10,474	1,644	23,129	642	6,633	1,280	4,721	309	4,358

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Farm Business Income Statement, for All Farms, by Production Specialty, for 2003

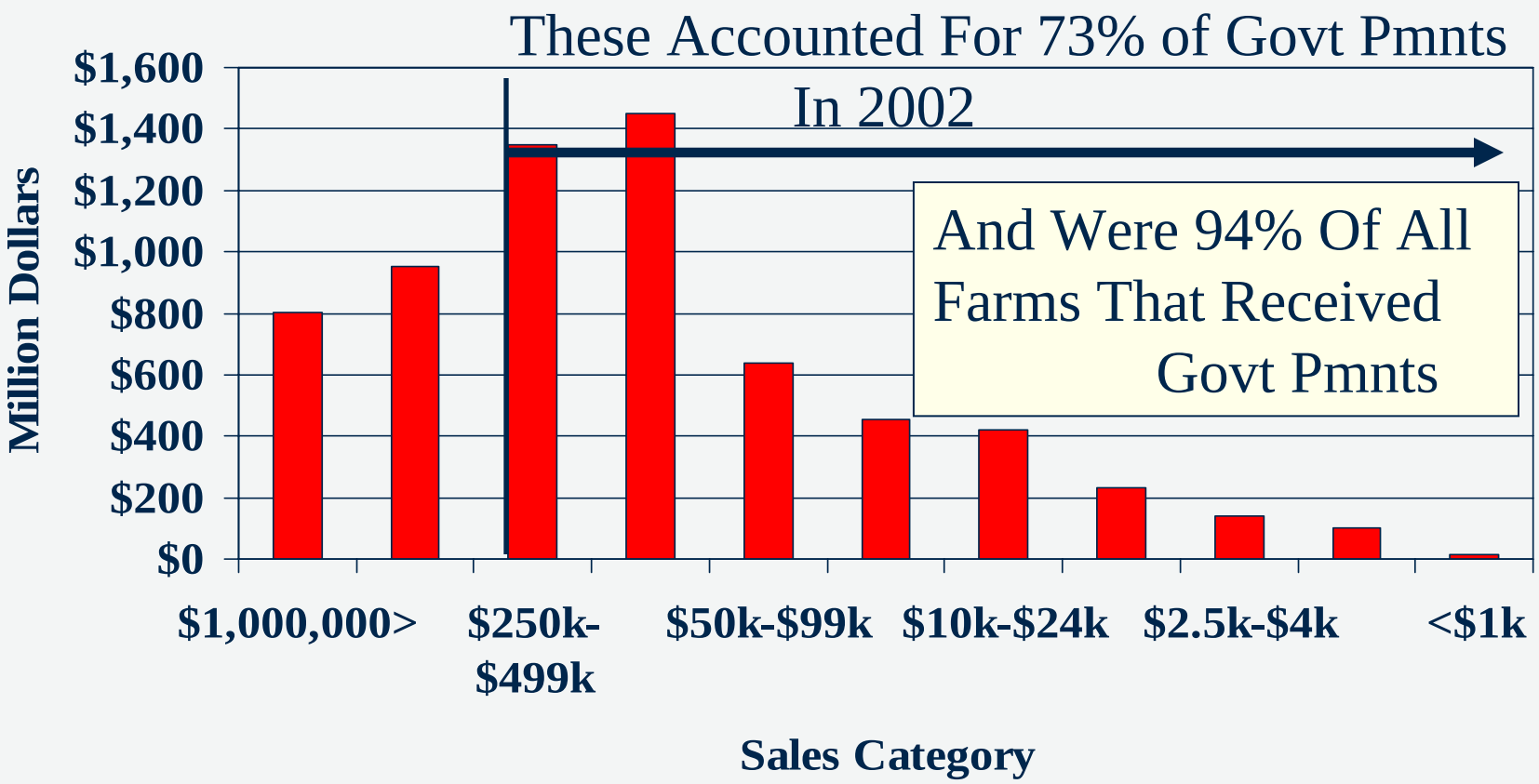
Item	General cash grains	Wheat	Corn	Soybean
Farms	85,503	47,847	113,750	58,732
	Dollars	Dollars	Dollars	Dollars
Gross cash income	210,656	121,907	178,621	91,717
Livestock income	25,921	11,103	4,488	1,472
Crop sales	130,718	67,122	130,695	67,493
Government payments	25,954	21,525	15,530	10,645
Other farm-related income	28,064	22,157	27,909	12,107
Total cash expenses	155,320	90,798	138,448	67,066
Variable expenses	107,376	65,061	91,353	45,920
Livestock purchases	2,442	1,299	2,403	354
Feed	4,713	1,526	2,865	715
Other livestock-related 2/	1,239	462	533	102
Seed and plants	15,891	7,121	16,203	8,849
Fertilizer and chemicals	36,458	22,049	33,366	16,485
Labor	9,399	5,036	5,528	3,420
Fuels and oils	9,275	7,395	8,653	3,875

Bottom Of That Table With Adds

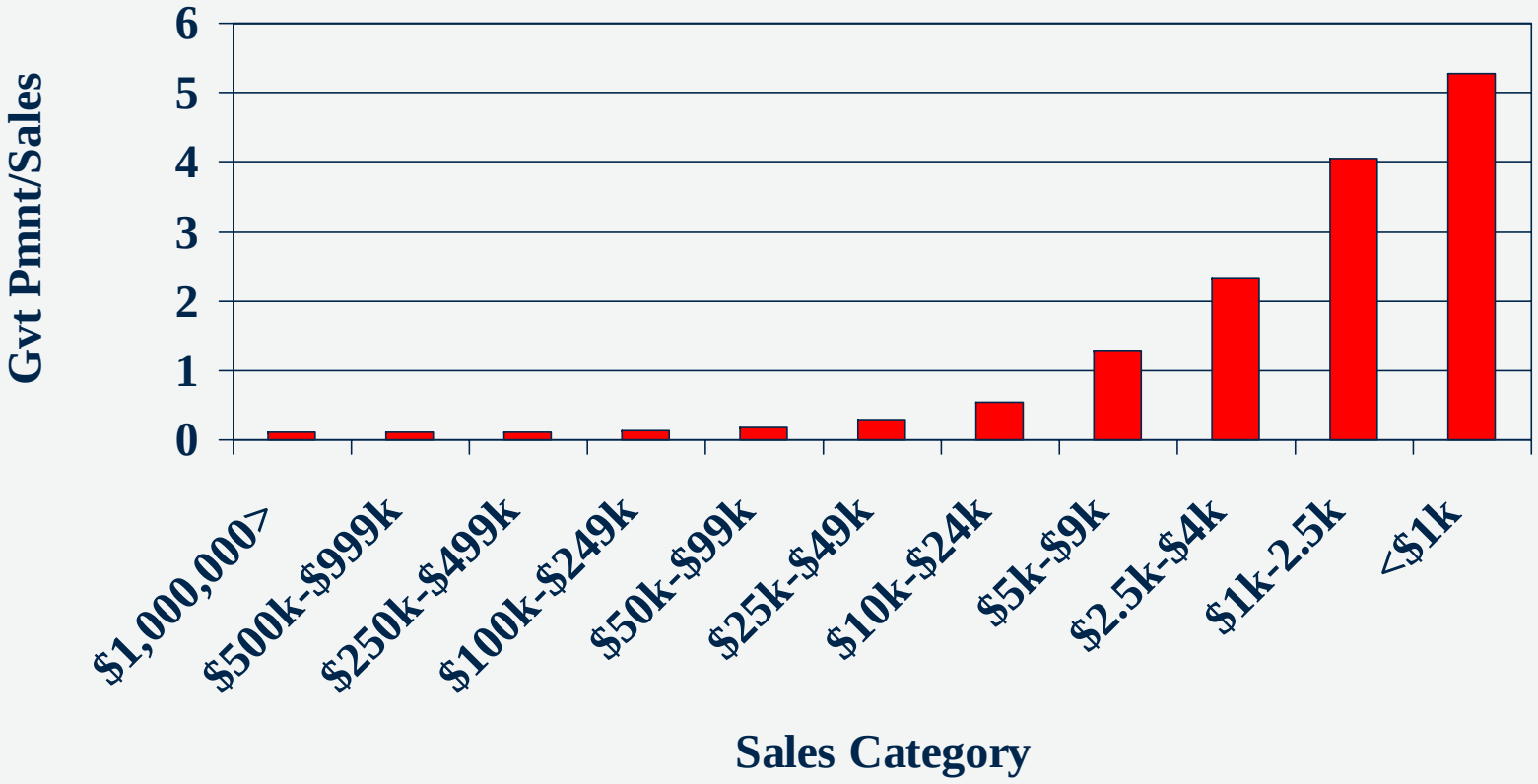
	Fixed expenses	47,943	25,737	47,095	21,146	23,462
	Real estate and property taxes	4,016	3,127	4,306	2,501	1,859
	Interest	8,873	6,867	9,293	4,905	5,067
	Insurance premiums	7,603	7,272	5,926	3,008	5,329
	Rent and lease payments	27,452	8,471	27,570	10,732	11,207
Net cash farm income		55,336	31,110	40,173	24,651	46,812
Depreciation		21,409	12,136	17,832	8,993	10,881
Multiple of net cash less depreciation to get to $52k		1.5	2.7	2.3	3.3	1.4
Implied gross cash		$ 322,873	$ 334,097	$ 415,751	$ 304,591	$ 225,255

The Point – For Farms To Generate $52K Net, They Must Have Sales In $250-$400K Range

2002 Govt Pmnts By Farm Size



Grain – Oilseed - Cotton Govt. Pmnts/Sales



Switch Tracks

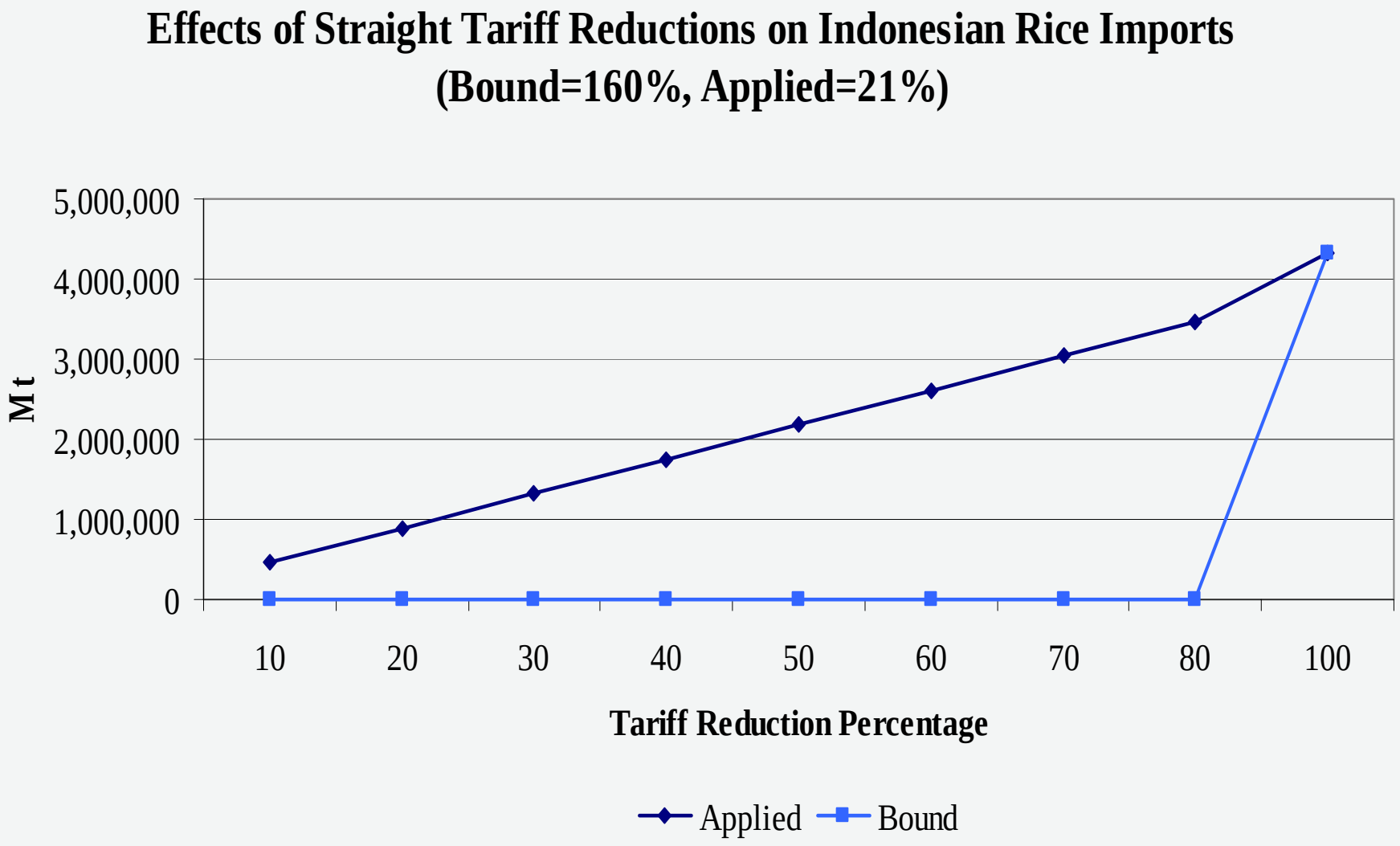
- Comments On FTA's versus WTO

Farm Bureau's Approach

- Evaluate Agreement Once It It Reached
- If It Has Positive Economic Benefit ***To The Sector*** Farm Bureau Will Support
- If Results Not Clear, Will Decide On Non-Economic Factors
- If Negative, We Will Oppose

Expanding Market Access

- Negotiate significant tariff reductions from bound tariff rates
- Use a combination of minimum tariff line cuts, a formula cut, and a tariff ceiling to address tariff rate dispersion and mega-tariffs
- Fill, expand, and liberalize Uruguay and Doha Round Tariff Rate Quotas (TRQ's)


Effects of Straight Tariff Reductions on Indonesian Rice Imports
(Bound=160%, Applied=21%)
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4,000,000
3,000,000
2,000,000
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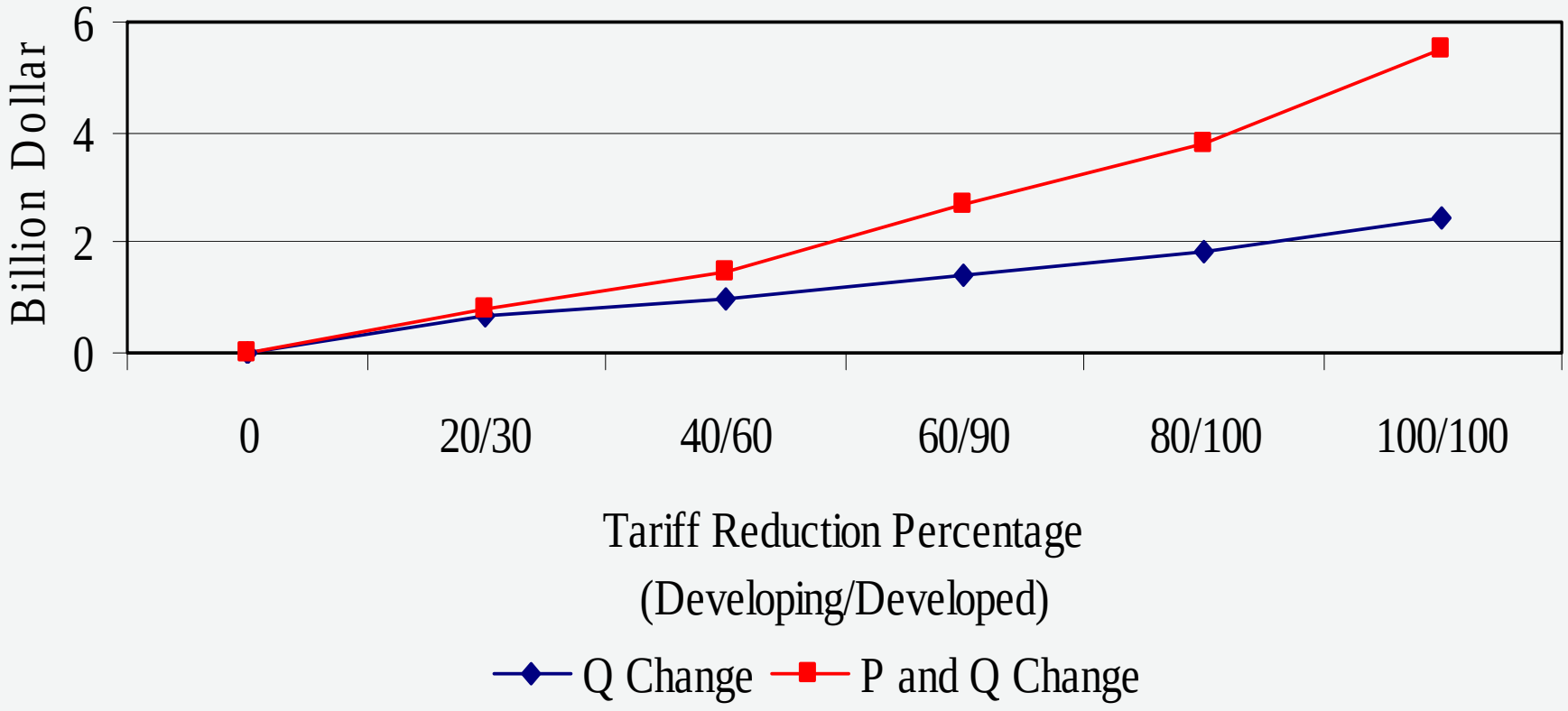
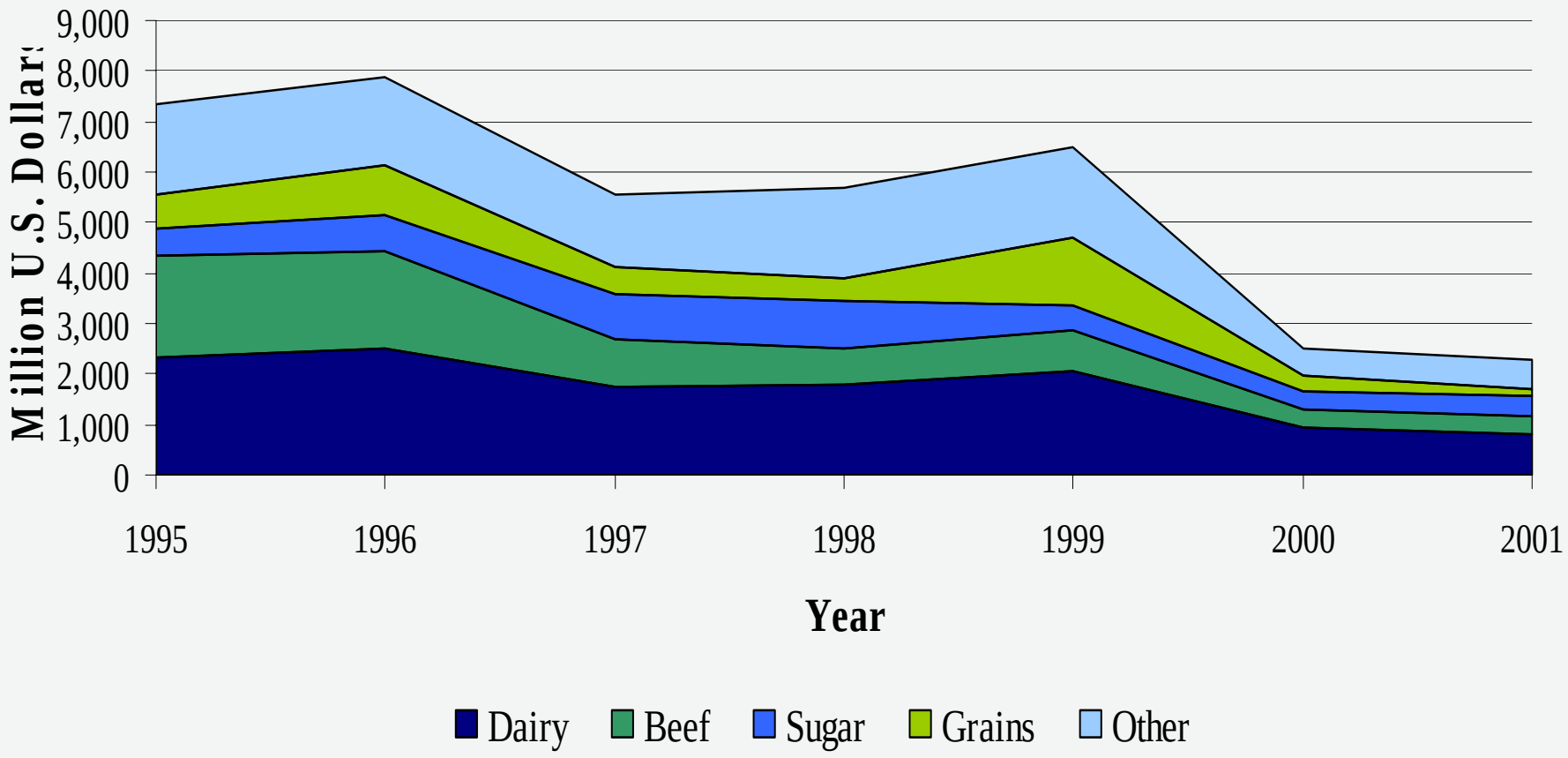
0
Mt
10
20
30
40
50
60
70
80
100
Tariff Reduction Percentage
Applied
Bound

Estimated Impact of Tariff Reductions on U.S. Agricultural Exports of Feed Grains



EU Export Subsidies Under the URAA



Change In U.S. Feed Grain Dmd

Increased Demand for U.S. Feed Grains from the WTO With Specific Assumptions			
(Values in Million Bushels)			
	Expanded Exports	Increased Feeding	Total
Tariff Reductions	300	50	350
TRQ Expansion	60	10	70
EU Subsidy Reductions	225	15	240
U.S. Subsidy Reductions	-50		-50
Subtotal	535	75	610
Adjustment in Domestic Use			-225
Net Increase in Feed Grain Demand			385
* - Assumes 40/60 Tariff Reduction, TRQ Expansion & Fill, Elimination of Export Subsidies			

Yet Another Track

- Some Principals To Keep In Mind In Policy Reform…

Capitalization Of Govt Support Into Land Prices

- Imagine Kasten's Land Price Change Map…
- Took Us A Long Time To Get Here..

What We Need..

- Need To Give Us A Long Time To Get Somewhere Else…
- Need To Create Environment Where Entrepreneurs Can Thrive
  - Tax Policy
  - Regulatory Policy
  - Trade Policy
  - Immigration Policy

Farm Bureau's Long Term View

MAAPP Team Makeup