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In mid-December of 2002, USDA announced national and county-adjusted loan rates for the 2003 crop year for many commodities, including wheat, barley, oats, and minor oilseeds. This was USDA's earliest announcement of loan rates for the coming crop year in many years.

While the new county-adjusted loan rates reflect various changes across county and state lines, they are based on national average loan rates that did not change for most commodities. The national average loan rates were set in the Farm Security and Rural Investment Act of 2002 and remain unchanged from 2002 to 2003 (they will change marginally in 2004). The national average loan rates are reflected in Table 1.

The one major change in national average loan rates was for oilseeds other than soybeans. The national average loan rate for minor oilseeds was set by legislation at \$9.60 per hundredweight for 2002 and 2003. In interpreting the legislation, USDA established separate loan rates for each of the minor oilseeds to reflect historic price relationships between the crops, with the weighted average among all minor oilseeds equal to the legislated \$9.60 per hundredweight.

In 2002, these minor oilseed loan rates included separate loan rates for oil-type sunflowers and for non-oil-type (confectionary) sunflowers of \$9.15 and \$12.10 per hundredweight respectively. For 2003, USDA has eliminated the separate loan rate for non-oil-type sunflowers and established only one loan rate of \$9.60 per hundredweight for all sunflowers. Because of the change, other minor oilseed loan rates were also adjusted in keeping with the weighted national average loan rate for all minor oilseeds of \$9.60 per hundredweight. These adjustments resulted in

higher loan rates across the board for all minor oilseeds.

**Table 1. 2003 National Average Loan Rates for Various Commodities (USDA).**

Crop	Loan Rate	
	2002	2003
<u>Major Commodities</u> (\$/bushel)		
Barley	1.88	1.88
Corn	1.98	1.98
Oats	1.35	1.35
Sorghum	1.98	1.98
Soybean	5.00	5.00
Wheat	2.80	2.80
<u>Minor Oilseeds</u> (\$/hundredweight)		
Canola	9.49	9.78
Flaxseed	6.98	7.20
Mustard	9.88	10.19
Rapeseed	9.47	9.76
Safflower	12.53	12.92
Sunflower (non-oil-type)	\$12.10	9.60
Sunflower (oil-type)	9.15	

USDA has also announced that the repayment rate (posted county price) for sunflower loans will be based on price levels for oil-type sunflowers. In essence, the change means a 45 cent increase

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in the loan rate for oil-type sunflowers from \$9.15 to \$9.60 per hundredweight. While the single loan rate is \$2.50 lower per hundredweight than what the previous separate rate was for confectionary sunflowers, the single repayment rate potentially drops even more than that. Thus, the protection provided by the revised loan program to confectionary sunflowers should theoretically increase in line with the 45 cent increase afforded to oil-type sunflowers. This conclusion however rests on the assumption that the price difference between oil-type and confectionary sunflowers remains steady during a marketing year. A steady price relationship may generally hold over time, but there is no guarantee that it will necessarily hold in any given year.

Across Kansas, this 45 cent per hundredweight increase in the new sunflower loan rate from last year's oil-type sunflower loan rate translated into increases of 44 to 48 cents after county-by-county adjustments were considered. Regardless, this change represents a major increase in the marketing loan rate and potential loan program benefits for sunflowers in Kansas. Current prices are running above the new loan rates, so the change may not seem of significance, but the protection offered by this "price floor" is substantially higher than it was.

As for other commodities, there were only minor adjustments in loan rates across counties and states. Loan rates for hard red winter wheat increased 2 cents per bushel from 2002 to 2003 for every county in Kansas. Loan rates for barley ranged from 10 cents higher to 5 cents lower across Kansas counties for 2003 relative to 2002. In contrast, the loan rate for oats remained unchanged across the state. Remember that any

changes in these rates only represent changes in the local county loan rates relative to the national averages, as the national average loan rates did not change.

Producers still await announcements on 2003 loan rates for corn, sorghum, soybeans, and cotton. The average national loan rates for these commodities will not change either according to legislation, so the only possible changes will be in adjustments to the local county loan rate relative to the national average loan rate.

And, remember that the announcement of county adjusted loan rates for 2003 has no impact on the rest of the commodity programs. It is true that the counter-cyclical payment rate is equal to the target price minus the direct payment minus the higher of the market price or the loan rate. However, the relevant market price and loan rate are national averages, not locally-adjusted numbers. And, given that national average loan rates will not change, there will be no impact on possible counter-cyclical payments from the county-adjusted loan rates yet to be announced.

A separate publication with the county-by-county loan rates across Kansas is available under the "Publications" section of the Agricultural Policy website at [www.agecon.ksu.edu/agpolicy](http://www.agecon.ksu.edu/agpolicy). The publication lists loan rates by county for 2002 and 2003 for most commodities with 2003 loan rates for some of the minor oilseeds. The publication will be updated when corn, sorghum, and soybean loan rates are announced. More information on loan programs and other commodity programs is available from USDA-FSA at their website at [www.fsa.usda.gov](http://www.fsa.usda.gov).