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Earlier this week, USDA announced national and county-adjusted loan rates for the 2003 crop year for several commodities. This includes 2003 loan rates which have just been set for corn, sorghum, and soybeans as well as loan rates for several oilseeds which were adjusted or added in response to Congressional mandates. All of the relevant national average loan rates are listed in Table 1.

As a note of explanation, USDA previously announced national and county-adjusted loan rates for the 2003 crop year for many commodities, including wheat, barley, oats, and minor oilseeds in mid-December. But, the FY2003 Omnibus Appropriations bill which was just signed into law on February 20 mandated that USDA change all national average loan rates for the individual oilseeds to the \$9.60 per hundredweight rate for 2002 and 2003 established in the 2002 Farm Bill. USDA had previously adjusted the average loan rates for each individual oilseed to reflect differences in relative value while keeping the overall weighted-average oilseed loan rate at the legislated \$9.60. The new language mandated that they strictly use the \$9.60 loan rate for each oilseed.

The new Congressional language also mandated that USDA establish a loan rate for crambe and sesame seed in similar fashion, two commodities which USDA had previously dropped from the list of loan-eligible oilseeds. They are both now added for both 2002 and 2003 at \$9.60 per hundredweight. In addition, because the Congressional legislation explicitly includes them as other oilseeds, they are also eligible for the direct and counter-cyclical payment program. If there are any producers with crambe and sesame seed acres that could not previously count them

in their base and yield decision, they now can.

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	9.60
Crambe	9.60	9.60
Flaxseed	6.98	9.60
Mustard	9.88	9.60
Rapeseed	9.47	9.60
Safflower	12.53	9.60
Sesame	9.60	9.60
Sunflower (non-oil-type)	12.10	9.60
Sunflower (oil-type)	9.15	

For the new corn, sorghum, and soybean rates, the county-by-county adjustments from 2002 to 2003 are all relatively minor. Corn loan rates generally dropped from 1 to 3 cents per bushel with Washington County the only county to be adjusted up. Sorghum loan rates were unchanged to 2 cents lower while the soybean loan rate was increased 2 cents across the state.

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While the changes for corn, sorghum, and soybeans were relatively minor, the mandated changes for oilseeds are significant. This is the second time Congress has specifically instructed USDA regarding the oilseed loan rates since USDA first established the 2002 loan rates under the 2002 Farm Bill legislation. At first, Congress requested that USDA adjust their sunflower loan rates. In implementing the 2002 Farm Bill, USDA had established a national average loan rate of \$9.15 for oil-type sunflowers and \$12.10 for non-oil-type sunflowers, with corresponding repayment rates. USDA received pressure from Congress to revisit that decision and in announcing the 2003 loan rates in December, USDA responded with a single sunflower loan rate equal to \$9.60. This represented an increased rate for oil-type sunflowers, but a substantially lower loan rate for non-oil-type sunflowers. However, since the repayment rate for both would be based on the oil-type sunflower price, both classes of sunflowers essentially received an increase equivalent of that for oil-type sunflowers.

Now, similar issues will exist with the other oilseeds. The mandated change to \$9.60 per hundredweight is a substantial increase for some oilseeds and a substantial decrease for others. While not certain from the announcement thus far, presumably, the repayment rate for each oilseed will also be adjusted to a rate reflective of the single loan rate. Otherwise, some crops

would essentially see a windfall from the change in rates while others see a substantial penalty.

After all is said and done on the marketing loan rates, 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 did not change, there will be no impact on possible counter-cyclical payments from the county-adjusted loan rates yet to be announced. Even though the oilseed loan rate did change for each individual oilseed, remember that the change was to a single oilseed loan rate which in fact was already established. So, even the changes in oilseed loan rates have no impact on the rest of the commodity programs.

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. The publication lists loan rates by county for 2002 and 2003 for most commodities. More information on loan programs and other commodity programs is available from USDA-FSA at their website at www.fsa.usda.gov.