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In early December 2003, USDA announced national and county-adjusted loan rates for the 2004 crop year for many commodities, including wheat, barley, oats, and minor oilseeds. This was the earliest USDA had ever announced loan rates for the coming crop year.

While the new county-adjusted loan rates reflect various changes across county and state lines, they also reflect changes in the national average loan rates for some commodities. The national average loan rates were set in the Farm Security and Rural Investment Act of 2002 and change marginally from 2003 to 2004. The national average loan rates are reflected in Table 1.

Of note to Kansas, the national average loan rate for wheat dropped from \$2.80 per bushel for 2003 to \$2.75 per bushel for 2004, a five-cent drop. However, local county-adjusted loan rates for hard red winter wheat in Kansas dropped ten cents per bushel, meaning loan rates in Kansas counties dropped five cents per bushel relative to the national average. This adjustment likely reflects both changes in historic production and basis patterns in Kansas relative to the rest of the nation as well as changes in the value of hard red winter wheat relative to all classes of wheat.

Other loan rate changes for counties in Kansas are generally similar to the changes in the national average loan rate, except for sunflowers. The average sunflower loan rate in Kansas dropped \$0.54 per hundredweight from 2003 to 2004 while the national average loan rate dropped just \$0.30 per hundredweight. As with the previous year, there is just one loan rate for both oil-type and non-oil-type sunflowers. Regardless of type, the repayment rate for all sunflower loans is based on price levels for oil-type sunflowers.

Table 1. 2003 - 2004 National Average Loan Rates for Various Commodities (USDA).

Crop	Loan Rate	
	2003	2004
<u>Major Commodities</u> (\$/bushel)		
Barley	1.88	1.85
Corn	1.98	1.95
Oats	1.35	1.33
Sorghum	1.98	1.95
Soybean	5.00	5.00
Wheat	2.80	2.75
<u>Minor Oilseeds</u> (\$/hundredweight)		
Canola	9.60	9.30
Crambe	9.60	9.30
Flaxseed	9.60	9.30
Mustard	9.60	9.30
Rapeseed	9.60	9.30
Safflower	9.60	9.30
Sesame	9.60	9.30
Sunflower (non-oil-type)	9.60	9.30
Sunflower (oil-type)		

Producers still await announcement on 2004 county-adjusted loan rates for corn, sorghum, and soybeans. As noted in Table 1, loan rates for corn and sorghum will drop three cents per bushel from 2003 to 2004. Pending any adjustments across state and county lines,

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county-adjusted loan rates for corn and sorghum would also be expected to drop three cents per bushel.

The drop in most national average loan rates for 2004 comes simultaneously with a marginal increase in counter-cyclical target prices. Remember that the counter-cyclical payment rate in a given year is equal to the target price less the direct (fixed) payment rate minus the higher of the market price or the loan rate. Thus, a decrease in marketing loan rates and an increase in target prices results in a larger potential counter-cyclical payment.

So, while the basic foundation of the farm income safety net drops for the coming year, the overall safety net actually increases marginally with the higher target prices. However, it is important to remember that each part of the safety net is paid on a different base. Marketing loans provide benefits on actual production when prices drop below loan rates. On the other hand, direct payments and counter-cyclical payments are based on the farm's program acreage base and direct or counter-cyclical payment yields, neither of which are tied to actual production.

In sum, since marketing loans are the only part

of the safety net specifically tied to production, the change in marketing loan rates for 2004 could impact some production decisions. In particular, the marginal drop in corn, sorghum, and wheat loan rates and the significant drop in sunflower loan rates while soybeans remain constant could affect the relative profitability of each crop. Producers will have to carefully analyze the new loan rates to determine whether any of the changes point to needed changes in production plans.

A separate publication with the county-by-county loan rates across Kansas is available on the AgManager website on the Commodity Programs page in the Policy section. The loan rate publication is in the Program Details table on the Commodity Programs page:

www.agmanager.info/policy/commodity/default.asp

The publication lists loan rates by county for 2003 and 2004 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.