

Bradley D. Lubben¹
December 19, 2002

*’Twas the week before Christmas,
and all through the state,
agents and economists were running
Farm Bill calculat (ions)...*

Okay, so perhaps it’s true that economists should stick to numbers and not try to use words. But I know it’s also true that as the year winds down, agents and economists across the state are working with Kansas producers on some difficult Farm Bill questions. For that, I offer a genuine thanks for your efforts and a congratulatory round of applause for your accomplishments. Read on for a preliminary tally of the educational impact and well as a few lingering spreadsheet issues.

Educational Impact

The educational efforts in Kansas this year regarding the 2002 Farm Bill have been substantial. These efforts involved educational programs at the local and state level, including many co-delivered with the Farm Service Agency (FSA), as well as the distribution of information and the one-on-one consultations with producers using the K-State Farm Bill Spreadsheet or worksheet or other decision tools. And, the efforts are not over yet, as many meetings and consultations will take place well into 2003.

To put the impact of K-State Research and Extension into numbers, consider the following. Based on responses from agents and economists, K-State conducted or was involved in an estimated 380 meetings throughout the state this year on the Farm Bill, including more than 200 meetings in August in conjunction with the FSA. These meetings involved more than 25,000 participants. Even with many individuals

attending more than one meeting, that is a substantial percentage of the state’s 63,000 farms.

It is also clear that the analysis of this Farm Bill’s sign-up decision is substantial. Based on the preliminary numbers compiled thus far, the average producer involved in a consultation had approximately 3 farms covering a total of 510 crop acres. Given the estimated payments under each Farm Bill option, the advantage from selecting the best option was conservatively worth about \$2.50 per acre per year compared to the other options. Realize that this number is difficult to measure and is also just an average of an advantage that was very small for some and very large for others. But, the \$2.50 number is a good estimate of the “added value” in making an informed Farm Bill sign-up decision, translating into about \$1,275 per producer per year.

From the reports from agents and economists, more than 4,250 producers had already come in for visits or were expected to schedule visits before the end of the year. A similar number were estimated to have downloaded the spreadsheet or worksheet from the ag policy website and conducted the analysis for themselves or for clients. Altogether, more than 8,500 producers were expected to benefit from K-State decision tools or consultations in making informed Farm Bill sign-up decisions.

At an average of 510 acres per producer, that is more than 4.3 million crop acres. At an average of \$2.50 per crop acre per year, that is more than \$10.8 million per year in increased government payments coming to Kansas producers due to more-informed decision-making due to the consultations and Farm Bill decision tools.

¹

Extension Agricultural Economist, K-State Research and Extension, 3311 Waters Hall, Manhattan, KS 66506. Phone: 785.532.2276; fax: 785.532.5887; e-mail: blubben@ksu.edu. This publication is designed to provide information about developing agricultural policy issues and farm programs. The document does not necessarily represent the views of Kansas State University. This publication and other agricultural policy resources are available from Kansas State University at www.agecon.ksu.edu/agpolicy while additional information is available from USDA at www.usda.gov.

When summed together, increasing awareness and understanding of the new Farm Bill among 25,000 plus producers and improving decision-making for 8,500 plus producers with consultations or decision tools is a significant accomplishment for the K-State Research and Extension system, even if it is not yet complete.

One-on-One Consultations

From the numbers above, it's apparent that the spreadsheet and worksheet are being used to analyze decisions on millions of acres in Kansas. It's also apparent from the various questions and messages we've seen that there are millions (or at least thousands) of unique situations affecting the analysis. A sampling follows below.

FSA Appointments. Since there is no time left for sign-up to affect the timing of payments between 2002 and 2003, all decisions now will lead to payments in 2003. Given that a producer will generally prefer earlier payments to later, scheduling appointments soon with FSA is important. Apparently, some FSA offices have already established a schedule, so trying to change that schedule could be difficult, but producers should be ready to make a decision as soon as possible if they need the money.

Acreage Limits and the Spreadsheet. While the K-State Farm Bill Spreadsheet provides a comprehensive analysis of acreage, production, and price information, it is not designed to cope with every possible acreage situation.

One case is the impact of prevented planting acres. Under the program legislation, producers can count prevented-planting acres in their base acreage. However, these acres do not count in determining payment yields which are based on yields per planted acre. In the spreadsheet, including the prevented planting acres in the Acreage page leads to a higher acreage number that in turn leads to an under-estimated yield number on the Yields page. You can account for the discrepancy if you artificially adjust the production number up proportionately on the Yields page. But you also have to remember that you can only count the acre for the crop that was prevented-planted or for the crop, if any, that was planted instead (such as soybeans instead of prevented-planted corn). If you count the

prevented-planted corn acre, you would have to adjust the soybean acreage and production down accordingly. It is a complex issue, so deferring the few cases that do occur to FSA for a final interpretation is an appropriate step.

The second case is where the acreage base determined under either "old base plus oilseeds" or under "new base" is larger than the overall base acreage limit on the farm. Base acres on the farm are limited to effective cropland (all cropland acres minus acres enrolled in CRP, WRP, etc.) plus approved double-cropping acres. This limit is reported in the base and yield options report FSA sent to producers. However, the spreadsheet does not include these limits and won't reduce acreage bases if the limits are exceeded.

Consider a case where a producer has 450 acres of cropland, but put 200 acres into CRP in 2002. The spreadsheet may say that the old base plus oilseeds is equal to 400 acres or the new base is equal to 390 acres, based on 1998-2001 production. However, the producer would be limited to 250 base acres in the new program (450 - 200) and would have to make adjustments in acreage accordingly. The spreadsheet doesn't address this directly, since it would take more columns for more adjustments, but you can use Table 6 in the Calculations page to see which acres pay the least under each option and decide which acres to cut if necessary.

Payment Limits. Finally, a quick note about payment limits as they too are excluded from the spreadsheet analysis. Remember from earlier materials that payment limits on direct payments are \$40,000 per producer per year and are \$65,000 per producer per year on counter-cyclical payments. The larger limit for counter-cyclical payments generally means producers will run into the direct payment limit earlier, although large counter-cyclical payment rates and substantially-higher payment yields for counter-cyclical payments could mean that limit comes into play first. Just note that if the expected payments in the Summary page approach the payment limits, then the impact of the limits may be a consideration in Farm Bill decisions or at least a signal to make appropriate (and legal) adjustments in the structure or leasing arrangements on an operation.