



Agricultural Policy Update
Counter-Cyclical Payments And Rice Loan Rates
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March 8, 2004

Counter-Cyclical Payments

On February 25, the USDA announced that the second round of advanced payments for 2003 counter-cyclical payments would be made available for rice and peanuts only. Producers were able to receive the first advance in October of 2003. The first and second advanced payment combined must equal 70 percent of the estimated total counter-cyclical payment. Therefore, for rice producers who took the first payment in October (the first advanced payment was \$0.5775), they would now be eligible to receive an additional \$0.0525 per hundredweight or a total of \$0.63 per hundredweight. If the first payment was not taken in October, the producer could receive the entire \$0.63 per hundredweight at this time. With a total advance of \$0.63 per hundredweight, the USDA is now currently projecting total counter-cyclical payment for the 2003 rice crop of \$0.90 per hundredweight.

The current projections for counter cyclical payments are a rather substantial change from USDA's first advanced payment released back in October 2003. During that time, the USDA was projecting counter-cyclical payments for all of our major commodities with the exception of soybeans (See Table 1). For those producers that took that first advanced payment, the concern now becomes whether some or all of that payment will have to be repaid.

Using a 3-year average of the percentages of sales by month provided in Tables 2 thru 4, a current weighted average price was estimated for all major commodities. Assuming that the current weighted average price would, in fact, equal the marketing year average price, Table 1 provides an estimate of the total counter-cyclical payment for the 2003 crop. For corn, grain sorghum, and wheat, the estimates show that producers who took the first advanced payment would have to pay some or all of that payment back should the marketing year average price remain at the current price level. For all commodities, with the exception of rice, there is some possibility that the final counter-cyclical price could be below the sum of the first and second advanced payment. The last column in Table 1 shows the maximum price allowable over the remainder of the marketing year to result in a total counter-cyclical payment at least at the level of the sum of the first and second advanced payment.

Table 1. Estimated Prices and Counter Cyclical Payments For 2003 Crop

Crop	Current 2003/04 Weighted Average Price ^a	Counter Cyclical Payment At Current Price ^b	Counter Cyclical 1 st Partial Payment ^c	Counter Cyclical 2 nd Partial Payment ^c	Estimated Price Needed For The Remainder Of The Marketing Year To Cover Advanced CC Payment ^e
Corn	\$2.29	\$0.03	\$0.0770	\$0.000	\$2.164
Sorghum	\$2.35	(\$0.16)	\$0.0140	\$0.000	\$1.861
Cotton	\$0.620	\$0.037	\$0.0201	\$0.000	\$0.673
Rice	\$6.85	\$1.30	\$0.5775	\$0.63 (\$0.0525) ^d	\$8.737
Wheat	\$3.33	\$0.01	\$0.0315	\$0.000	\$3.170
Soybeans	\$7.07	(\$1.71)	\$0.0000	\$0.000	\$1.752

^a Weighted average price through February 2004 using a three-year average of percentage of sales by month found in Tables 2 - 4.

^b Estimated total counter-cyclical payment assumes that the marketing year average price is the same at the current weighted average price.

^c Counter-cyclical payment rates as released by the USDA.

^d For rice, \$0.63 per cwt. is available if the first advanced payment was not taken. If the first payment was taken, an additional \$0.0525 is available.

^e The maximum average price for the remainder of the marketing year to have a counter-cyclical payment at least at the level of the sum of the first and second advanced payment.

Rice Loan Rates By Class

On March 5, the USDA announced the 2004 rice loan rates by class. The loan rates are as follows:

State	Long Grain	Medium Grain	Short Grain
Arkansas	6.60	6.07	6.12
California	6.44	6.04	6.12
Louisiana	6.70	5.95	6.12
Mississippi	6.65	6.04	6.12
Missouri	6.58	6.04	6.12
Texas	6.98	6.04	6.12
National Average	6.66	6.04	6.12

For rice stored in commercial warehouses, the whole kernel milled rice loan rates for the 2004 crop are \$10.61 per cwt. for long grain and \$9.61 for medium/short grain. The broken kernel loan rate for all classes is \$5.31 per cwt. USDA computes milled rice loan rates by using average milling yields and production percentages by class, thus ensuring that the production-weighted national average rough rice loan rate equals the \$6.50 per cwt. required by statute

The loan rate discounts for grades (per cwt. of rough rice) lower than Grade #2 are unchanged for the 2004 crop. The discounts are \$0.30 for Grade #3, \$0.60 for Grade #4, \$1.00 for Grade #5, \$2.00 for Grade #6 and \$5.50 for Sample Grade. Discounts for smut content (per cwt. of rough rice) are also unchanged at 5 cents for 0.1 to 1.0 percent smut, 10 cents for 1.1 to 2.0 percent smut and 15 cents for 2.1 to 3.0 percent smut. Rice containing more than 3.0 percent smut is termed "smutty" and is eligible for loan as low quality rice. Smutty rice is considered Sample Grade. Low quality or smutty rice is eligible for loan at 20 percent of the grade-discounted loan value.

Table 2. Monthly Average Prices - Crops With an August to July Marketing Year

Month	Cotton Monthly Prices (\$/Pound)	Cotton Percent Sold Each Month ^a (Percent)	Rice Monthly Prices (\$/Cwt.)	Rice Percent Sold Each Month ^a (Percent)
August	\$0.463	3.89%	\$5.27	7.60%
September	\$0.485	4.70%	\$6.13	7.94%
October	\$0.680	9.77%	\$6.44	9.69%
November	\$0.634	16.01%	\$6.99	8.86%
December	\$0.631	17.87%	\$7.25	9.18%
January	\$0.638	14.81%	\$7.71	12.10%
February	\$0.616	8.04%	\$7.55	9.11%
March		6.66%		8.06%
April		4.59%		7.79%
May		4.64%		7.01%
June		4.81%		6.33%
July		4.22%		6.33%

Source: USDA, Agricultural Prices, Various Issues.

^a This is a three-year average of the percent of sales by month from the 1999/00 marketing year to the 2001/02 marketing year

Table 3. Monthly Average Prices - Crops With a September to August Marketing Year

Month	Corn Monthly Prices (\$/Bu)	Corn Percent Sold Each Month ^a (Percent)	Sorghum Monthly Prices (\$/Bu)	Sorghum Percent Sold Each Month ^a (Percent)	Soybeans Monthly Prices (\$/Bu)	Soybeans Percent Sold Each Month ^a (Percent)
September	\$2.20	9.53%	\$2.22	7.67%	\$6.06	7.73%
October	\$2.12	13.67%	\$2.23	13.53%	\$6.61	22.97%
November	\$2.20	10.07%	\$2.31	12.80%	\$7.05	8.40%
December	\$2.32	6.77%	\$2.36	14.13%	\$7.29	7.20%
January	\$2.46	14.90%	\$2.49	12.30%	\$7.82	15.10%
February	\$2.55	6.00%	\$2.56	4.50%	\$7.99	6.40%
March		6.87%		4.73%		7.63%
April		5.47%		3.00%		5.10%
May		5.03%		3.20%		4.90%
June		5.73%		7.37%		4.37%
July		7.70%		8.50%		5.40%
August		8.27%		8.27%		4.80%

Source: USDA, Agricultural Prices, Various Issues.

^a This is a three-year average of the percent of sales by month from the 1999/00 marketing year to the 2001/02 marketing year

Table 4. Monthly Average Prices - Crops With a June to May Marketing Year

Month	Wheat Monthly Prices (\$/Bu)	Wheat Percent Sold Each Month ^a (Percent)
June	\$3.08	13.47%
July	\$2.95	18.70%
August	\$3.34	11.10%
September	\$3.39	7.43%
October	\$3.45	6.00%
November	\$3.59	5.13%
December	\$3.63	7.60%
January	\$3.73	9.83%
February	\$3.68	5.53%
March		5.33%
April		4.80%
May		5.07%

Source: USDA, Agricultural Prices, Various Issues.

^a This is a three-year average of the percent of sales by month from the 1999/00 marketing year to the 2001/02 marketing year