

**IMPACT OF H.R. 2646 and S. 1731 CONFERENCE FARM BILL PROPOSALS
ON PROJECTED 2002 RICE PROGRAM PAYMENTS TO MAJOR
RICE-PRODUCING STATES**

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April 23, 2002



**Staff Report 2002-02
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IMPACT OF H.R. 2646 and S. 1731 CONFERENCE FARM BILL PROPOSALS ON PROJECTED 2002 RICE PROGRAM PAYMENTS TO MAJOR RICE-PRODUCING STATES

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This report presents the estimated impacts on aggregate rice program payments to rice-producing states for the House (H.R. 2646) and Senate (S. 1731) Conference farm bill proposals for 2002. In addition to estimating the differences in income support between the two proposals, the impact of updating rice base acreage and program yields are also evaluated. This analysis was conducted using aggregate acreage and yield data and compares program payments for updating assuming base acreage and program yield updates are made at the aggregate level. In reality, not every rice producer will choose to update acreage and program yield. However, the analysis presented here is intended to estimate the potential level of change in rice program payments which might occur.

Four sets of estimates are presented in this report. The first set (Table 1) presents planted rice acreage and actual yield per acre over the 1998 to 2001 period for each rice state and for the U.S. Table 2 presents estimated changes in aggregate rice base acreage and program yield assuming all producers update base. Table 3 presents estimated total rice program payments for each state and the U.S. under the House and Senate Conference proposals with and without base acreage and program yield updates. An example for Louisiana is presented in Table 4 which estimates gross income per planted acre under each proposal.

Average planted rice acreage and yield per acre for each state over the 1998-2001 period is presented in Table 1. This data was used as the basis for updating rice base acreage and program yield. The average 1998-2001 planted acreage would become the updated rice base acreage for rice farms choosing the update option. Estimates of updated base and program yields are presented in Table 2. The potential impact in a state's total rice base acreage could vary substantially due to the fact that some states have planted a significantly higher percent of base than other states. Arkansas has planted approximately 93% of its total rice base over the 1998-2001 period while Texas has planted only 41%. Updated program yields are also estimated at the aggregate level and were calculated as the current program yield plus 70% of the increase from 1998-2001 average yields. These updated program yields apply only to counter cyclical payments. Fixed payments would still be paid on existing program yields.

Total rice program payments (fixed and counter cyclical) to each state were estimated under each of the farm bill proposals. These estimates are presented in Table 3. The top portion of the table estimates program payment parameters for the original House bill proposal and for each Conference proposal with and without updates. The remaining sections of the table estimate the total dollar value of rice program payments accruing to each state under each of the proposals. An important point to focus on here is

the relationship between change in program yield to the change in payment acres. Since updated program yields apply only to counter cyclical payments, an equal change in program yields and payment acres will not result in an equal level of payment. For example, in Louisiana, the estimated increase in program yield would be to 47.4 cwt. per acre from the current level of 40.8 cwt. per acre. This represents a 16% increase in payment yield. However, since this yield only applies to counter cyclical payments and not fixed payments, the actual average payment yield for the farm would only increase by about 6-7%. Planted rice acreage in Louisiana has averaged 75% of base. Therefore, at the aggregate state level, payment yield would increase by 6-7% but payment acres would decrease by 25%. Although some producers will choose to update base and others will not, it is important that producers make this comparison to determine whether updating base and yield is beneficial for them.

Based on the aggregate acreage data presented in Table 3, it is obvious that all rice states, with the exception of Missouri, have planted less than their total base over the last four years. As a result, if significantly large numbers of producers in states choose to update, the reduction in payment acres could offset the gains in payment yield and could reduce total rice program payments. The information in Table 3 basically sets bounds on what the reduction in total payments would be if every producer chose to update.

An example which estimates gross returns per planted acre for Louisiana is presented in Table 4. This example assumes that a farm starts with 100 acres of rice base and only plants its payment acres. The important point in this table is the fact that if a farm updates, its program payment per planted acre will increase. However, the total number of acres on which that payment is made will decrease. This result will vary from farm to farm, depending upon what percent of base has been planted. However, this table provides a framework for an individual farm to make these comparisons.

**TABLE 1 – PLANTED RICE ACREAGE AND YIELDS PER ACRE
FOR MAJOR RICE STATES, 1998-2001**

4/23/02

RICE PRODUCING STATES		1998	1999	2000	2001	Average
ARKANSAS						
Planted Rice Acreage	(acres)	1,500,000	1,630,000	1,420,000	1,631,000	1,545,250
Rice Yield per Acre	(cwt/acre)	58.00	58.50	61.10	62.50	60.03
CALIFORNIA						
Planted Rice Acreage	(acres)	460,000	510,000	550,000	473,000	498,250
Rice Yield per Acre	(cwt/acre)	68.50	72.70	79.80	81.70	75.68
LOUISIANA						
Planted Rice Acreage	(acres)	625,000	620,000	485,000	548,000	569,500
Rice Yield per Acre	(cwt/acre)	45.30	50.00	50.80	55.00	50.28
MISSISSIPPI						
Planted Rice Acreage	(acres)	270,000	325,000	220,000	255,000	267,500
Rice Yield per Acre	(cwt/acre)	58.00	56.50	59.00	65.00	59.63
MISSOURI						
Planted Rice Acreage	(acres)	145,000	186,000	170,000	211,000	178,000
Rice Yield per Acre	(cwt/acre)	52.00	54.00	57.00	59.50	55.63
TEXAS						
Planted Rice Acreage	(acres)	285,000	260,000	215,000	217,000	244,250
Rice Yield per Acre	(cwt/acre)	56.00	59.00	67.00	69.00	62.75
U.S.						
Planted Rice Acreage	(acres)	3,285,000	3,531,000	3,060,000	3,335,000	3,302,750
Rice Yield per Acre	(cwt/acre)	56.63	58.66	62.80	64.20	60.57

Source: National Agricultural Statistics Service, USDA.

**TABLE 2 – ESTIMATED CHANGES IN AGGREGATE RICE BASE AND PROGRAM YIELD
FOR MAJOR RICE STATES**

4/23/02

RICE PRODUCING STATES		ARKANSAS	CALIFORNIA	LOUISIANA	MISSISSIPPI
<u>Current Rice Program Data</u>					
Total Rice Base	(acres)	1,664,642	590,054	760,000	375,976
Rice Paid Base 1/	(acres)	1,414,946	501,546	646,000	319,580
Rice Program Yield	(cwt/acre)	45.6	68.3	40.8	41.8
<u>Updated Rice Program Data</u>					
Total Rice Base 2/	(acres)	1,545,250	498,250	570,000	267,500
Rice Paid Base 1/	(acres)	1,313,463	423,513	484,500	227,375
Percentage Change in Base	(%)	-7%	-16%	-25%	-29%
Rice Program Yield – FF 3/	(cwt/acre)	45.6	68.3	40.8	41.8
Rice Program Yield – CC 4/	(cwt/acre)	55.7	73.5	47.4	54.3
		MISSOURI	TEXAS	U.S.	
<u>Current Rice Program Data</u>					
Total Rice Base	(acres)	142,102	592,907	4,150,342	
Rice Paid Base 1/	(acres)	120,787	503,971	3,527,791	
Rice Program Yield	(cwt/acre)	46.2	49.4	48.1	
<u>Updated Rice Program Data</u>					
Total Rice Base 2/	(acres)	178,000	244,250	3,302,750	
Rice Paid Base 1/	(acres)	151,300	207,613	2,807,338	
Percentage Change in Base	(%)	25%	-59%	-20%	
Rice Program Yield – FF 3/	(cwt/acre)	46.2	49.4	48.1	
Rice Program Yield – CC 4/	(cwt/acre)	52.8	58.7	56.8	

1/ Paid base (payment acres) is 85 percent of total base.

2/ Updated total rice base is equal to the 1998-2001 average planted rice acreage for each state.

3/ Program yield for fixed payments are not updated and are equal to current program yields.

4/ Program yield for counter cyclical payments calculated as current program yield plus 70% of increase from 1998-2001 average yield.

Source: Farm Service Agency, USDA.

**TABLE 3 – COMPARISON OF HOUSE & SENATE FARM PROGRAM PROPOSALS
ON U.S. RICE PROGRAM PAYMENTS BY STATE FOR 2002**

4/23/02

RICE PROGRAM PARAMETERS		Original	Conference	Conference	Conference	Conference
		House	House	House	Senate	Senate
		Bill	Bill	Bill	Bill	Bill
			No Update	With Update	No Update	With Update
Target Price	(\$/cwt)	10.82	10.65	10.65	10.25	10.25
Loan Rate	(\$/cwt)	6.50	6.50	6.50	6.50	6.50
Market Price	(\$/cwt)	4.30	4.30	4.30	4.30	4.30
Fixed Payment	(\$/cwt)	2.35	2.35	2.35	2.56	2.56
Counter Cyclical Payment	(\$/cwt)	1.97	1.80	1.80	1.19	1.19
Total Program Payment	(\$/cwt)	4.32	4.15	4.15	3.75	3.75
Program Payment Rate	(%)	85%	85%	85%	85%	85%
World Market Price	(\$/cwt)	3.10	3.10	3.10	3.10	3.10
LDP Payment	(\$/cwt)	3.40	3.40	3.40	3.40	3.40
ARKANSAS						
Farm Base Acres	(acres)	1,664,642	1,664,642	1,545,250	1,664,642	1,545,250
Paid Base Acres	(acres)	1,414,946	1,414,946	1,313,463	1,414,946	1,313,463
Program Yield (AR) FP 1/	(cwt/acre)	45.6	45.6	45.6	45.6	45.6
Program Yield (AR) CC 2/	(cwt/acre)	45.6	45.6	55.7	45.6	55.7
Fixed Payments	(\$)	\$151,758,586	\$151,758,586	\$140,874,107	\$165,319,992	\$153,462,857
Counter Cyclical Payments	(\$)	\$127,218,900	\$116,240,619	\$131,711,393	\$76,847,965	\$87,075,865
Total State Rice Payments	(\$)	\$278,977,486	\$267,999,205	\$272,585,500	\$242,167,957	\$240,538,722
Percent Change from Original House Bill		-	-4%	-2%	-13%	-14%
CALIFORNIA						
Farm Base Acres	(acres)	590,054	590,054	498,250	590,054	498,250
Paid Base Acres	(acres)	501,546	501,546	423,513	501,546	423,513
Program Yield (CA) FP 1/	(cwt/acre)	68.3	68.3	68.3	68.3	68.3
Program Yield (CA) CC 2/	(cwt/acre)	68.3	68.3	73.5	68.3	73.5
Fixed Payments	(\$)	\$80,488,838	\$80,488,838	\$67,965,921	\$87,681,458	\$74,039,472
Counter Cyclical Payments	(\$)	\$67,473,622	\$61,651,025	\$55,992,588	\$40,758,178	\$37,017,322
Total State Rice Payments	(\$)	\$147,962,460	\$142,139,863	\$123,958,509	\$128,439,636	\$111,056,793
Percent Change from Original House Bill		-	-4%	-16%	-13%	-25%
LOUISIANA						
Farm Base Acres	(acres)	760,000	760,000	570,000	760,000	570,000
Paid Base Acres	(acres)	646,000	646,000	484,500	646,000	484,500
Program Yield (LA) FP 1/	(cwt/acre)	40.8	40.8	40.8	40.8	40.8
Program Yield (LA) CC 2/	(cwt/acre)	40.8	40.8	47.4	40.8	47.4
Fixed Payments	(\$)	\$61,938,480	\$61,938,480	\$46,453,860	\$67,473,408	\$50,605,056
Counter Cyclical Payments	(\$)	\$51,922,896	\$47,442,240	\$41,363,703	\$31,364,592	\$27,346,004
Total State Rice Payments	(\$)	\$113,861,376	\$109,380,720	\$87,817,563	\$98,838,000	\$77,951,060
Percent Change from Original House Bill		-	-4%	-23%	-13%	-32%
MISSISSIPPI						
Farm Base Acres	(acres)	375,976	375,976	267,500	375,976	267,500
Paid Base Acres	(acres)	319,580	319,580	227,375	319,580	227,375
Program Yield (MS) FP 1/	(cwt/acre)	41.8	41.8	41.8	41.8	41.8
Program Yield (MS) CC 2/	(cwt/acre)	41.8	41.8	54.3	41.8	54.3
Fixed Payments	(\$)	\$31,354,754	\$31,354,754	\$22,308,330	\$34,156,668	\$24,301,840
Counter Cyclical Payments	(\$)	\$26,284,623	\$24,016,407	\$22,211,354	\$15,877,513	\$14,684,173
Total State Rice Payments	(\$)	\$57,639,377	\$55,371,160	\$44,519,684	\$50,034,181	\$38,986,013
Percent Change from Original House Bill		-	-4%	-23%	-13%	-32%

**TABLE 3 – COMPARISON OF HOUSE & SENATE FARM PROGRAM PROPOSALS
ON U.S. RICE PROGRAM PAYMENTS BY STATE FOR 2002**

(Continued)
4/23/02

RICE PROGRAM PARAMETERS		Original House Bill	Conference House Bill No Update	Conference House Bill With Update	Conference Senate Bill No Update	Conference Senate Bill With Update
MISSOURI						
Farm Base Acres	(acres)	142,102	142,102	178,000	142,102	178,000
Paid Base Acres	(acres)	120,787	120,787	151,300	120,787	151,300
Program Yield (MO) FP 1/	(cwt/acre)	46.2	46.2	46.2	46.2	46.2
Program Yield (MO) CC 2/	(cwt/acre)	46.2	46.2	52.8	46.2	52.8
Fixed Payments	(\$)	\$13,110,974	\$13,110,974	\$16,423,085	\$14,282,592	\$17,890,680
Counter Cyclical Payments	(\$)	\$10,990,901	\$10,042,448	\$14,376,829	\$6,639,174	\$9,504,681
Total State Rice Payments	(\$)	\$24,101,875	\$23,153,421	\$30,799,914	\$20,921,766	\$27,395,361
Percent Change from Original House Bill		- -	-4%	28%	-13%	14%
TEXAS						
Farm Base Acres	(acres)	592,907	592,907	244,250	592,907	244,250
Paid Base Acres	(acres)	503,971	503,971	207,613	503,971	207,613
Program Yield (TX) FP 1/	(cwt/acre)	49.4	49.4	49.4	49.4	49.4
Program Yield (TX) CC 2/	(cwt/acre)	49.4	49.4	58.7	49.4	58.7
Fixed Payments	(\$)	\$58,505,988	\$58,505,988	\$24,101,735	\$63,734,182	\$26,255,507
Counter Cyclical Payments	(\$)	\$49,045,445	\$44,813,097	\$21,951,285	\$29,626,436	\$14,512,238
Total State Rice Payments	(\$)	\$107,551,432	\$103,319,084	\$46,053,020	\$93,360,618	\$40,767,746
Percent Change from Original House Bill		- -	-45	-57%	-13%	-62%
U.S.						
Farm Base Acres	(acres)	4,150,342	4,150,342	3,302,750	4,150,342	3,302,750
Paid Base Acres	(acres)	3,527,791	3,527,791	2,807,338	3,527,791	2,807,338
Program Yield (US) FP 1/	(cwt/acre)	48.1	48.1	48.1	48.1	48.1
Program Yield (US) CC 2/	(cwt/acre)	48.1	48.1	56.8	48.1	56.8
Fixed Payments	(\$)	\$399,095,434	\$399,095,434	\$317,591,284	\$434,759,281	\$345,971,782
Counter Cyclical Payments	(\$)	\$334,560,853	\$305,690,120	\$287,173,782	\$202,095,135	\$189,853,778
Total State Rice Payments	(\$)	\$733,656,287	\$704,785,554	\$604,765,066	\$636,854,416	\$535,825,560
Percent Change from Original House Bill		- -	-4%	-18%	-13%	-27%

1/ Program payment yield for fixed payments.

2/ Program payment yield for counter cyclical payments.

**TABLE 4 – COMPARISON OF HOUSE & SENATE FARM PROGRAM PROPOSALS
ON LOUISIANA RICE GROSS INCOME PER PLANTED ACRE FOR 2002**

4/23/02

RICE PROGRAM PARAMETERS		Original House Bill	Conference House Bill No Update	Conference House Bill With Update	Conference Senate Bill No Update	Conference Senate Bill With Update
Target Price	(\$/cwt)	10.82	10.65	10.65	10.25	10.25
Loan Rate	(\$/cwt)	6.50	6.50	6.50	6.50	6.50
Market Price	(\$/cwt)	4.30	4.30	4.30	4.30	4.30
Fixed Payment	(\$/cwt)	2.35	2.35	2.35	2.56	2.56
Counter Cyclical Payment	(\$/cwt)	1.97	1.80	1.80	1.19	1.19
Total Program Payment	(\$/cwt)	4.32	4.15	4.15	3.75	3.75
Program Payment Rate	(%)	85%	85%	85%	85%	85%
World Market Price	(\$/cwt)	3.10	3.10	3.10	3.10	3.10
LDP Payment	(\$/cwt)	3.40	3.40	3.40	3.40	3.40
Farm Base Acres	(acres)	100	100	75	100	75
Paid Base Acres	(acres)	85	85	64	85	64
Planted Base Acres	(acres)	85	85	64	85	64
Actual Yield (LA)	(cwt/acre)	55.0	55.0	55.0	55.0	55.0
Program Yield (LA) FP	(cwt/acre)	40.8	40.8	40.8	40.8	40.8
Program Yield (LA) CC	(cwt/acre)	40.8	40.8	47.4	40.8	47.4
INCOME PER PLANTED ACRE						
Rice Market Income	(\$/acre)	236.50	236.50	236.50	236.50	236.50
Fixed Payment	(\$/acre)	95.88	95.88	95.88	104.45	104.45
Counter Cyclical Payment	(\$/acre)	80.38	73.44	85.37	48.55	56.44
LDP Payment	(\$/acre)	187.00	187.00	187.00	187.00	187.00
Gross Income / Planted Acre	(\$/acre)	\$599.76	\$592.82	\$604.75	\$576.50	\$584.39
INCOME PER CWT. OF ACTUAL PRODUCTION						
Market Price	(\$/cwt)	4.30	4.30	4.30	4.30	4.30
Fixed Payment	(\$/cwt)	1.74	1.74	1.74	1.90	1.90
Counter Cyclical Payment	(\$/cwt)	1.46	1.34	1.55	0.88	1.03
LDP Payment	(\$/cwt)	3.40	3.40	3.40	3.40	3.40
Total Income per Cwt.	(\$/cwt)	\$10.90	\$10.78	\$11.00	\$10.48	\$10.63
Gross Income/Acre x Planted Acres		\$50,979	\$50,390	\$38,553	\$49,003	\$37,255

Assumes that only paid rice base acres are actually planted in rice.
Updated rice base acres would equal 1998-2001 average. For Louisiana, that figure is 75% of current base.