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# ***Farm Bill Update, Cotton Outlook, And 2008 Net Returns***

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## ***Farm Bill Situation and Timing***

- House passed version/proposal July 27th.
- Senate Ag Committee passed proposal on October 25<sup>th</sup>.
- Prior to Thanksgiving break, debate had taken place both off the Senate floor and in the Senate for approximately 2-3 weeks.
- The Senate had hoped to pass a bill prior to Thanksgiving break. But, debate and passage by the full Senate has broken down due the large number of amendments and discussion on amendments.
- The Senate reconvened December 3<sup>rd</sup>.
- The farm bill must still pass the Senate then go to Conference Committee with the House and then go to the President (President has threatened to veto).
- Since nothing was concluded prior to the break, time is now very limited and the likelihood of a bill before Jan 1, '08 very doubtful. Without a new bill, the current bill could be extended another year.





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## ***Side-By-Side Comparison of Farm Bill Proposals Major Differences***

- Advance on partial DP would remain at only 22%
- House proposal would give producer the option of RCCP
- Advance on partial CCP reduced from 70% to 40%
- Senate proposal would give producer choice of DCP or new ACR program
- Target Price on cotton reduced, soybeans and wheat increased
- Loan Rate on wheat increased
- House proposal- Loan Repayment Rate for cotton calculated from FE price



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# ***Side-By-Side Comparison of Farm Bill Proposals***

## ***Major Differences***

### **Payment Limitations**

DP \$40,000 (2002) \$60,000 (House) \$40,000 (Senate)

CCP \$65,000 (2002) \$65,000 (House) \$60,000 (Senate)

Marketing Loan Benefits \$75,000 (2002) No Limit (House and Senate)

Separate and equal limits for peanuts maintained

3-entity and spouse rules would be replaced by “direct attribution”

### **Adjusted Gross Income (AGI)**

Limit \$2.5 million (2002)

House— Ineligible if AGI > \$1 mill, If AGI > \$500,000 unless 2/3 from farming

Senate— Ineligible for 2009 if AGI > \$1 million unless 2/3 from farming and for 2010-2012 if AGI > \$750,000 unless 2/3 from farming





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## ***Cotton Situation and Outlook***

- Cotton is in a precarious situation– not subject to the same forces as the fuel-driven corn market, yet must compete for acres.
- The demand for cotton continues to be good– therefore, price WILL respond to the likelihood of lower acres.
- Estimates of the 2007 US crop have continued to increase and the crop now approaches 19 million bales.
- Expected exports of the '07 crop have declined somewhat.
- So, there will be more '07 crop to carry into the '08 crop year– meaning a little less concern for acreage– for now.
- 2008 prices currently around 69 to 70 cents. This price is competitive depending on alternative yields and costs.





## ***Comparison of 2007 and 2008 Budgeted Net Returns***

	Irrigated		Non-Irrigated	
	2007	2008	2007	2008
<b>Expected Yield</b>	1100	1100	700	700
<b>Estimated Average Price</b>	.60	.70	.60	.70
<b>Crop Income</b>	660	770	420	490
<b>Operating Costs</b>	472	507	377	386
<b>Budgeted Net Return</b>	<b>188</b>	<b>263</b>	<b>43</b>	<b>104</b>

[2008 Cotton Budgets](#)

