

Analysis of Potential Green Box Farm Programs

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Report

- USB funded
- Prepared by AgRisk Management and DTB Associates
- Objectives
 - Design a Green Box income insurance program
 - Estimate program benefits/costs
 - Program crops, all crops and livestock
 - Gross income vs. net income
 - Single crop vs. whole-farm
 - Examine potential Green Box conservation programs

Design of income insurance program

- Based on WTO criteria (Annex 2.7).
- Eligibility for payment determined by income loss exceeding 30% of average in preceding three-year period.
- Payment brings producer back to 70% of reference income.
- Amount of payment related to income, not type or volume of production, price, or factors of production.

Example Soybean Gross Income

Year	Price	Yield per Planted Acre	Gross Income
	(\$/bu)	(bu/ac)	(\$/ac)
2002	5.53	37.3	206.27
2003	7.34	33.4	245.16
2004	5.74	41.5	238.21
Average			229.88
70% of Average			160.91
2005	5.50	42.8	235.40
	[5.50]	[20]	[110.00]

Gross Income Insurance for Program Crops

Crop	Expected Payments
	(\$ million)
Barley	42
Corn	1,143
Upland Cotton	463
Oats	26
Peanuts	51
Rice	76
Sorghum	74
Soybeans	928
Wheat	473
Total	3,275

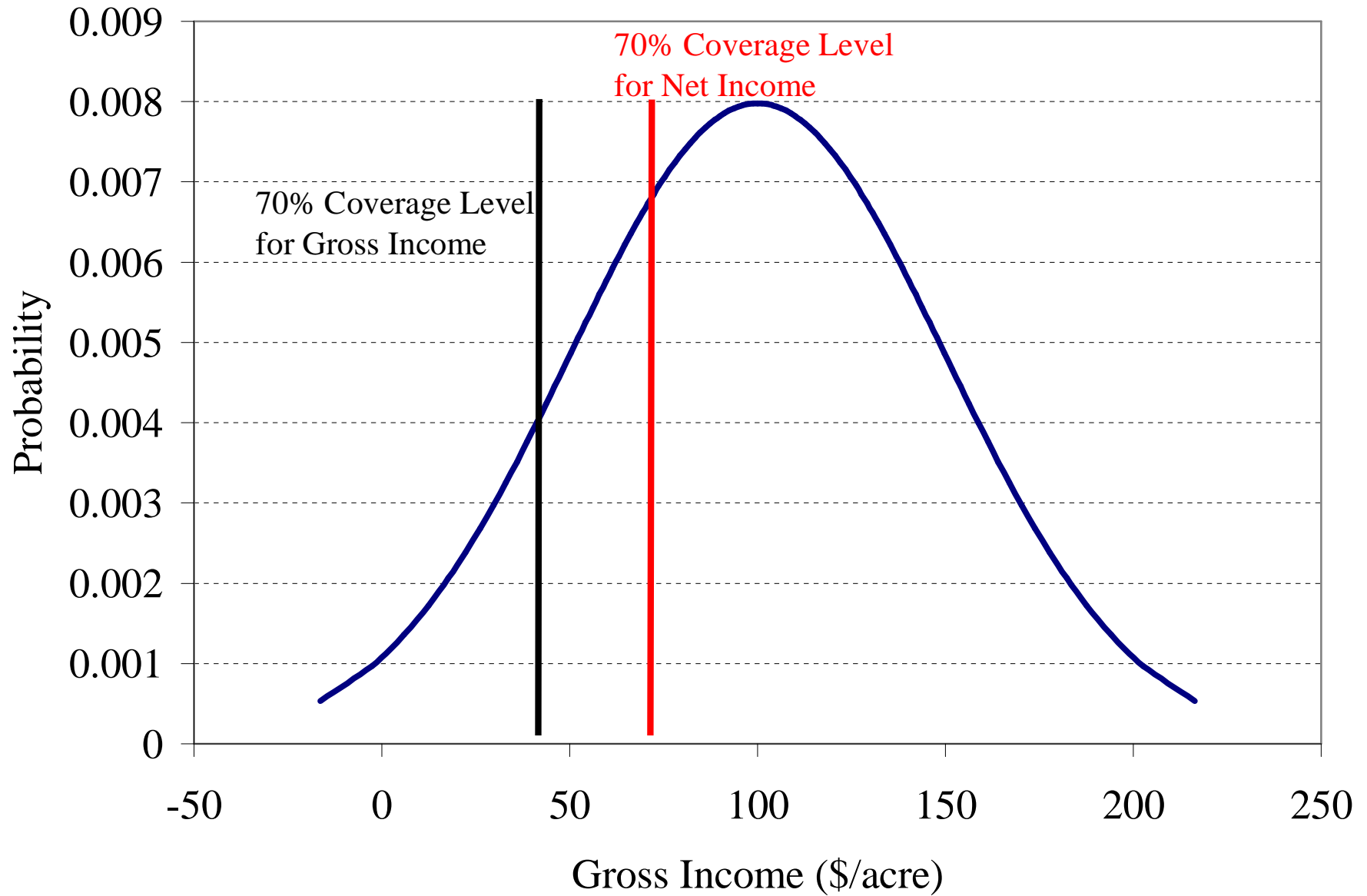
Gross Income Insurance for U.S. Agriculture

<u>Commodity</u>	<u>Benefit</u>
	(\$ million)
Fed Cattle	366
Milk	276
Broilers	190
Market Hogs	163
Feeder Cattle	102
Eggs	60
Turkeys	29
Sheep	4
Total Crops	5,416
Total Livestock	1,190
Total	6,606

Net Income Insurance for Program Crops

<u>Crop</u>	<u>Payments</u>
	(\$ million)
Barley	60
Corn	2,034
Cotton, Upland	699
Oats	34
Peanuts	84
Rice	147
Sorghum	108
Soybeans	1,301
Wheat	777
<u>Total</u>	<u>5,244</u>

Net Income Insurance



Net Income Insurance for Selected Commodities

Commodity	Payments
	(\$ million)
Program Crops	5,244
Fed Cattle, Hogs, Milk	3,430
Total	8,674

Whole-Farm Insurance Estimates by Crop

Crop	Expected Cost (\$ million)	
	Crop-Specific	Whole-Farm
Barley	42	29
Beans	50	31
Canola	15	8
Corn	1,143	849
Cotton	463	281
Flax	11	5
Hay	382	263
Oats	26	17
Peanuts	51	36
Potatoes	122	74
Rice	76	40
Sorghum	76	40
Soybeans	928	827
Sugarbeets	44	27
Sunflower	37	19
Wheat	473	418
Total	3,939	2,964

Total Whole-Farm Insurance Estimates

	Expected Cost (\$ million)	
	Crop-Specific	Whole-Farm
Program Crops	3,275	2,522
All Crops	5,416	4,062
Livestock	1,190	1,190
Total Agriculture	6,606	5,252

Green Box Conservation Payments

- Current programs (CSP, EQIP)
 - Useful for promoting conservation, preserving/enhancing competitiveness
 - Payments limited under Green Box criteria to extra cost or loss of income
 - Limited value as income support
- Resource retirement programs (CRP)
 - Specific eligibility requirements
 - No payment limit
 - Greater potential for income support

Green Box Conservation Payments

- Decoupled direct payments
 - No payment limit, greater potential for income support
 - Cross compliance