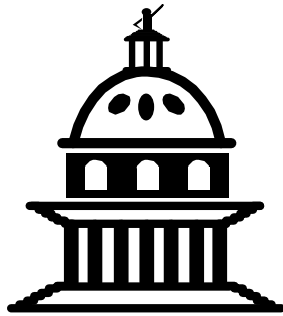


**STATUS OF TEXAS AGRICULTURE
UNDER FEDERAL FARM LEGISLATION**

AFPC Policy Briefing Series 98-3

July 1998



AFPC

**AGRICULTURAL & FOOD POLICY CENTER
TEXAS A&M UNIVERSITY SYSTEM**

Agricultural and Food Policy Center
Department of Agricultural Economics
Texas Agricultural Experiment Station
Texas Agricultural Extension Service
Texas A&M University

Web Site: <http://AFPC1.TAMU.EDU>

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AFPC Briefing Series

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Agricultural and Food Policy Center
Department of Agricultural Economics
Texas A&M University
College Station, TX 77843-2124

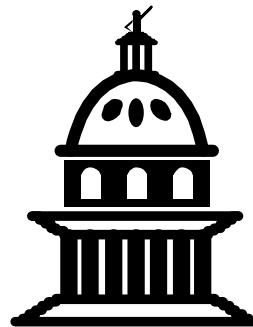
or call 409-845-5913.

Status of Texas Agriculture Under Federal Farm Legislation

Texas House Agriculture and Livestock Committee
Austin, Texas
July 16, 1998

Ronald D. Knutson

Edward G. Smith



AFPC

AGRICULTURAL & FOOD POLICY CENTER
TEXAS A&M UNIVERSITY SYSTEM

Status of Federal Farm Policy

- ☞ **Lump sum payments**
 - Higher than would have been under target price through 1998
 - Indeterminate through 2002
 - Increased diversification resulting from flexibility provisions

- ☞ **Crop Insurance**
 - Most common coverage is 50% yield (CAT or limited additional)

- ☞ **1998 situation particularly unfavorable for Texas**
 - Reduced yield
 - Depressed grain prices
 - Compounded by 1996 adversities

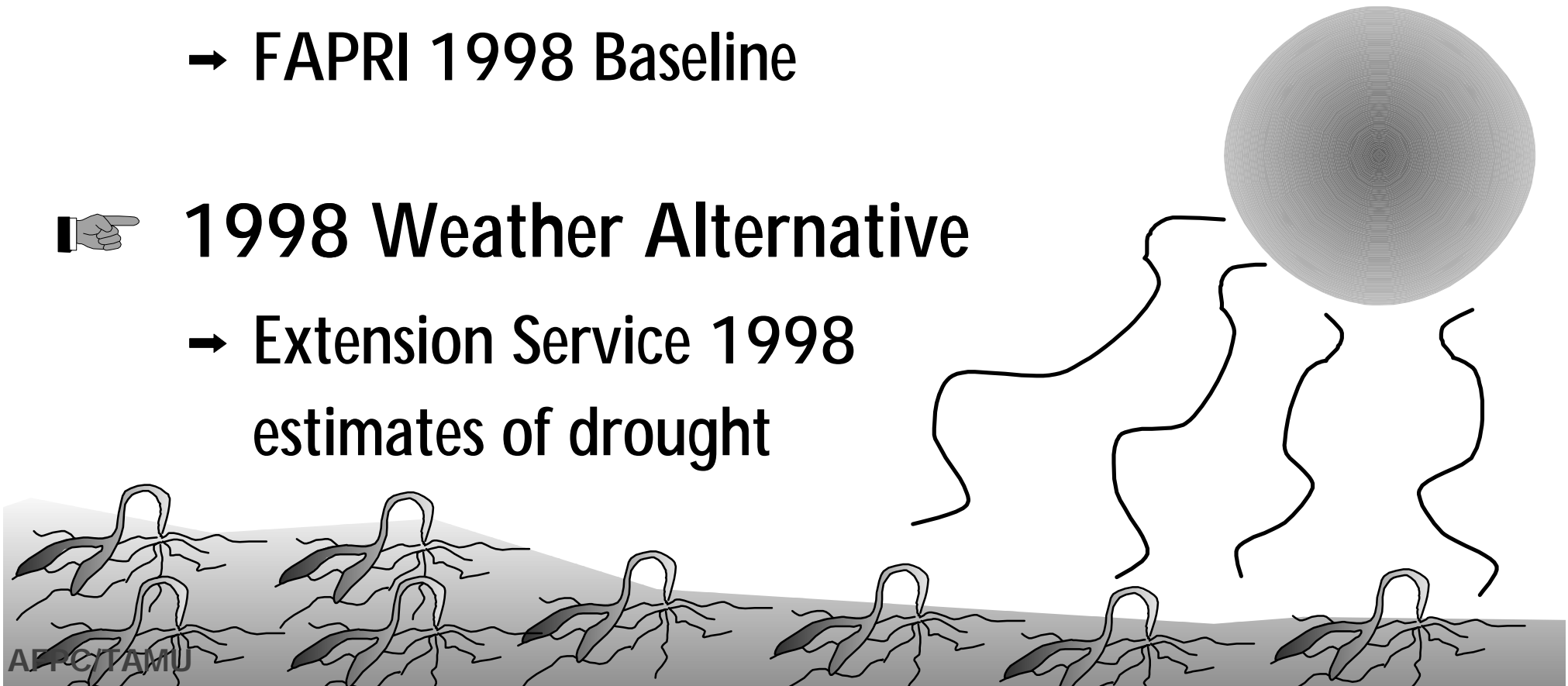
Impact of 1998 Weather Adversities: Assumptions

☞ BASELINE

- TASS 1996 production statistics
- FAPRI 1998 Baseline

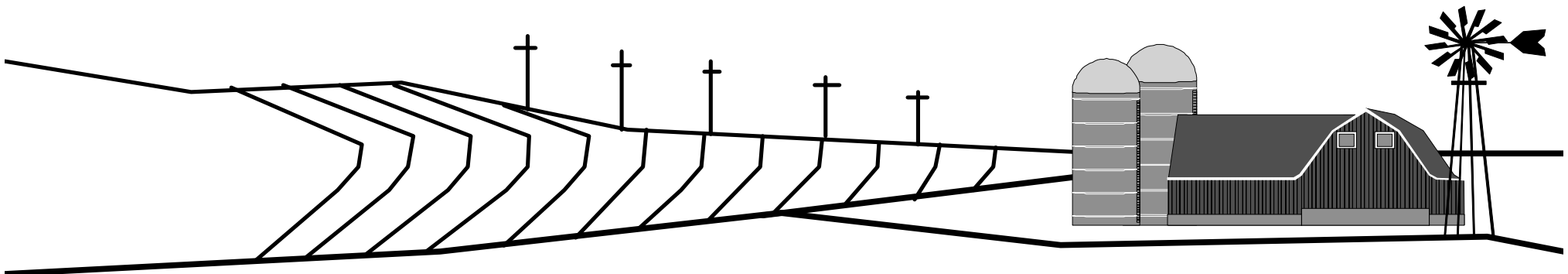
☞ 1998 Weather Alternative

- Extension Service 1998 estimates of drought



FARM Assist

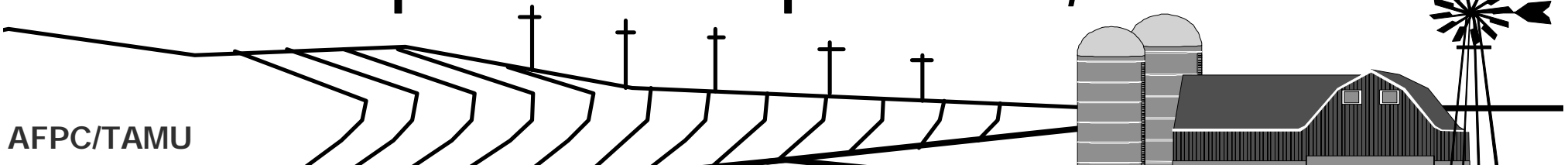
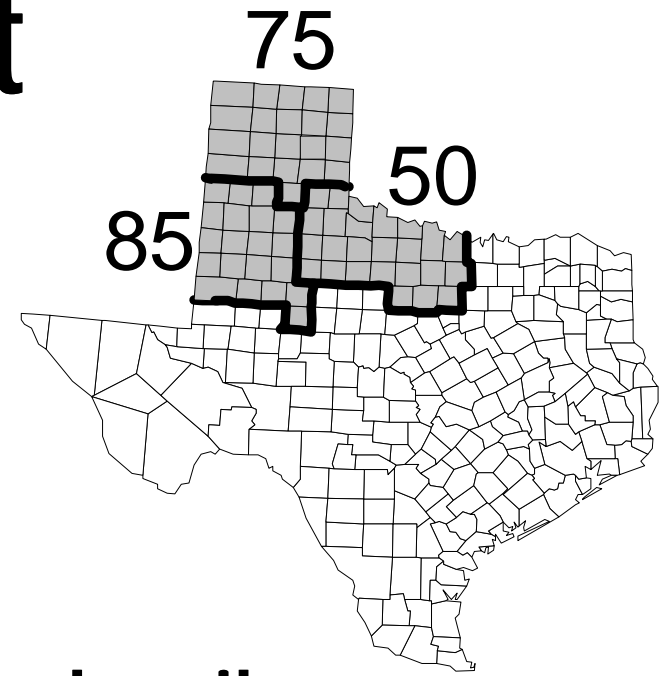
A whole farm *strategic planning tool* designed to provide farmers and ranchers the flexibility to *proforma analyze their operation under risk* employing a wide array of risk management tools.

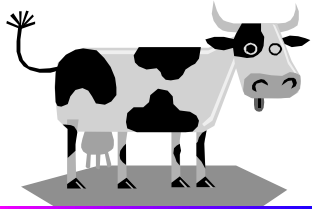


FARM Assist

☞ How will it work?

- One-on-one assistance
- Risk Management Specialist
- Professional Report
 - Specifically tailored to each subscriber
 - Delivered and explained
- Fee based
- Database
- Subscriptions start September 1, 1998





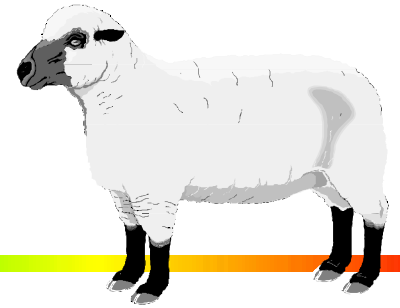
Dairy



- ☞ **1998 vs. 1996 Drought**
 - Feed prices much more expensive in 1996
 - Milk production normally declines during summer heat
 - ☞ **Erath County Representative Dairies**
 - Moderate size dairy (400 cows) must change structure to survive over baseline period
 - Large dairy (825 cows) is profitable under the baseline
 - ☞ **Hopkins County Representative Dairies**
 - Area lost more than 30% of producers in last 4 years
 - Moderate size dairy (210 cows) is profitable under baseline but only most efficient producers remain
 - 210 cow dairy not profitable enough to move to next generation ---> continued change will occur
- AFPC/TAMU → Large dairy (650 cows) is profitable under baseline



Cattle and Sheep



Cycle

- Inventory liquidation phase of cycle
- Texas producers caught trying to rebuild herd from 1996 drought
- Tx producers relatively less ability to begin to respond to higher anticipated cattle prices as supplies contract due to drought



Other issues

- Reduced weaning weights
- Reduced conception rates
- Lower feed prices relative to 1996



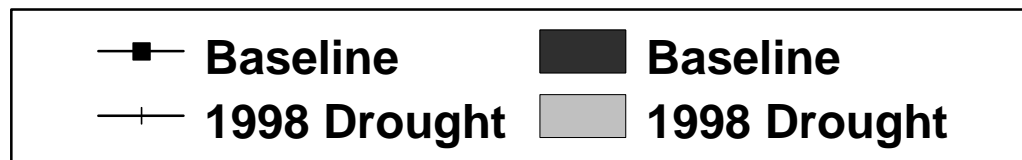
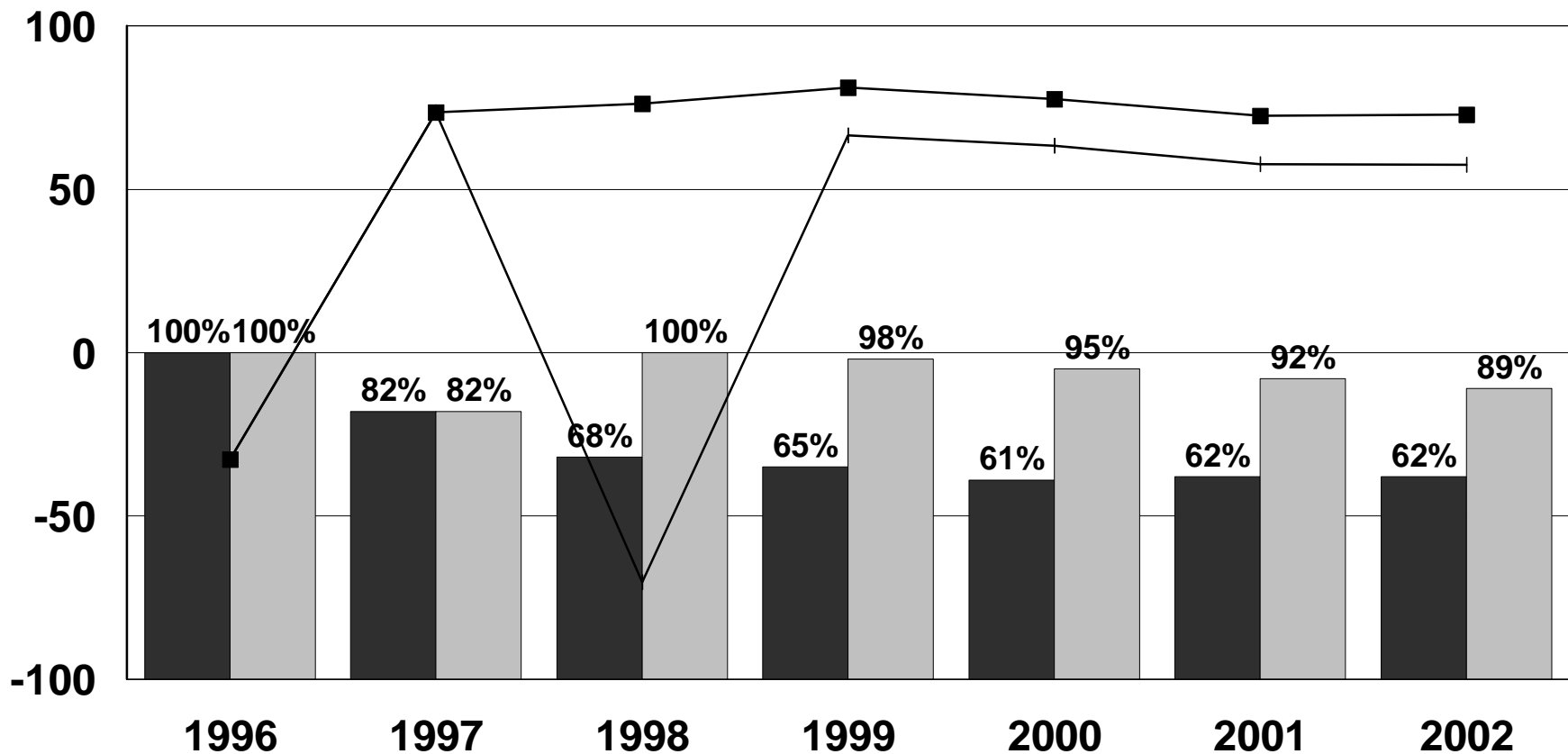
Sheep

- 1996 drought factor in 1996 inventory decline
- Reduced lambing rates and weights
- Drought on top of adjustments to program changes

Texas Southern Plains Moderate Cotton Farm

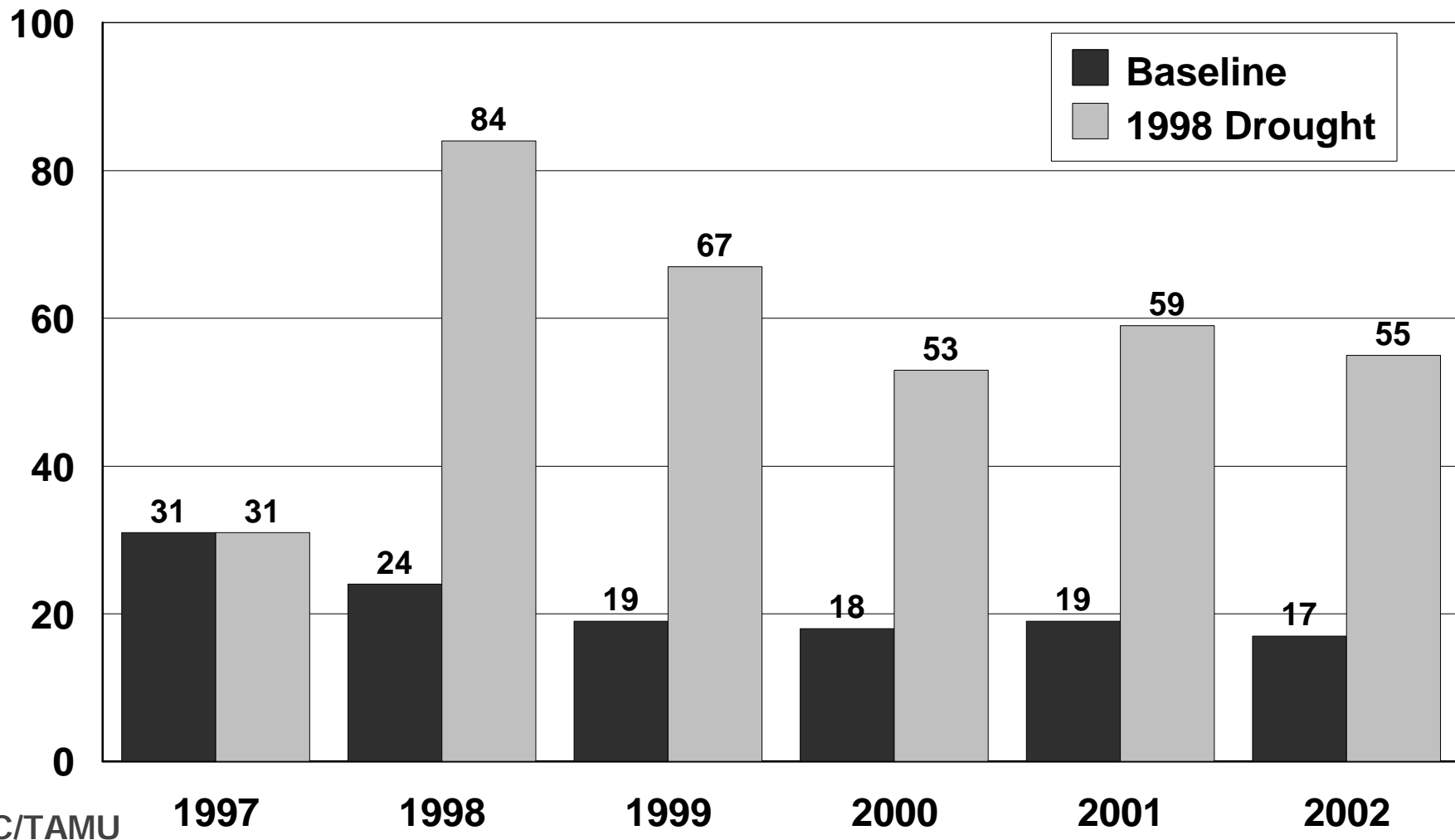
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)

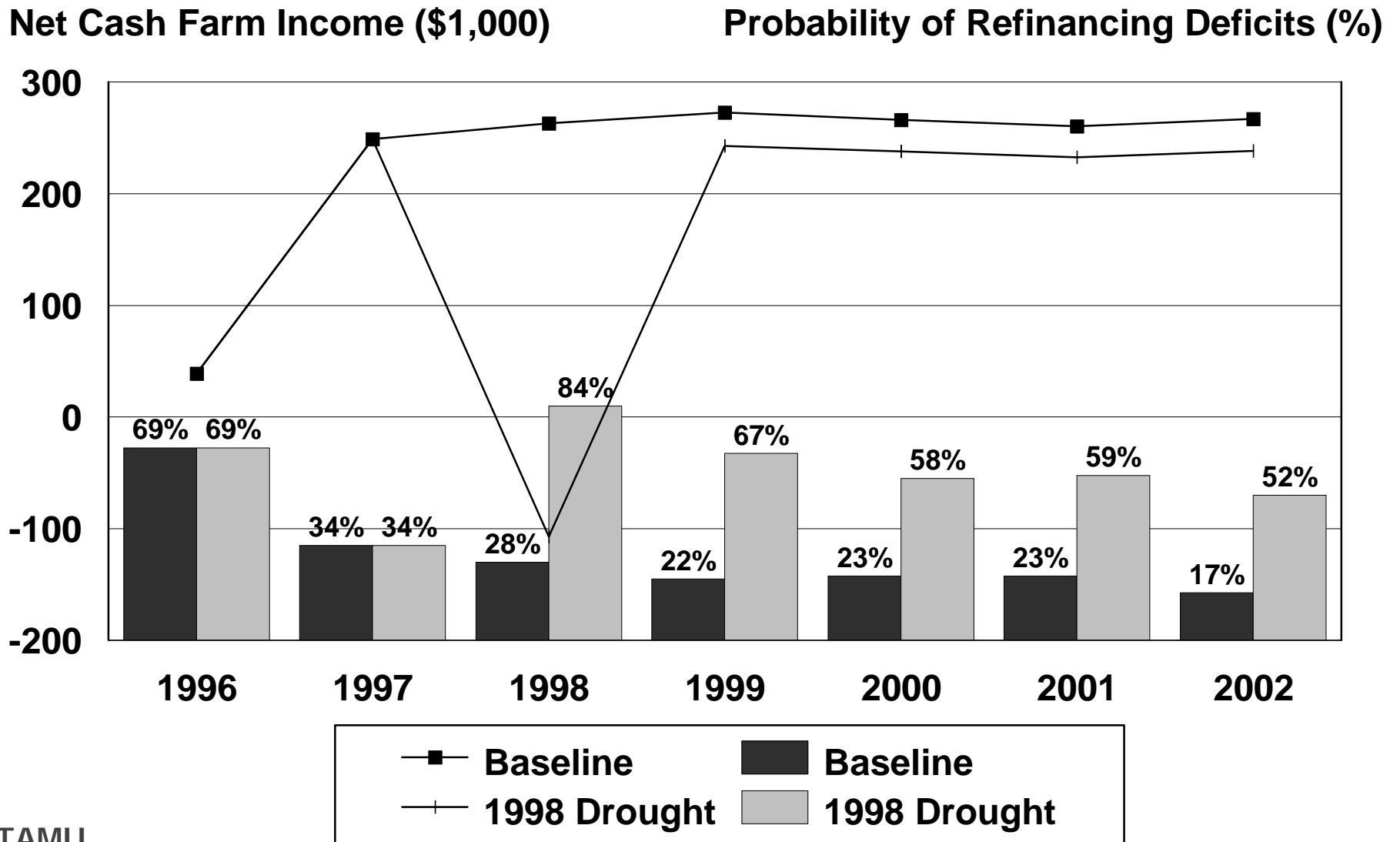


Texas Southern Plains Moderate Cotton Farm

Probability of Losing Real Net Worth (%)

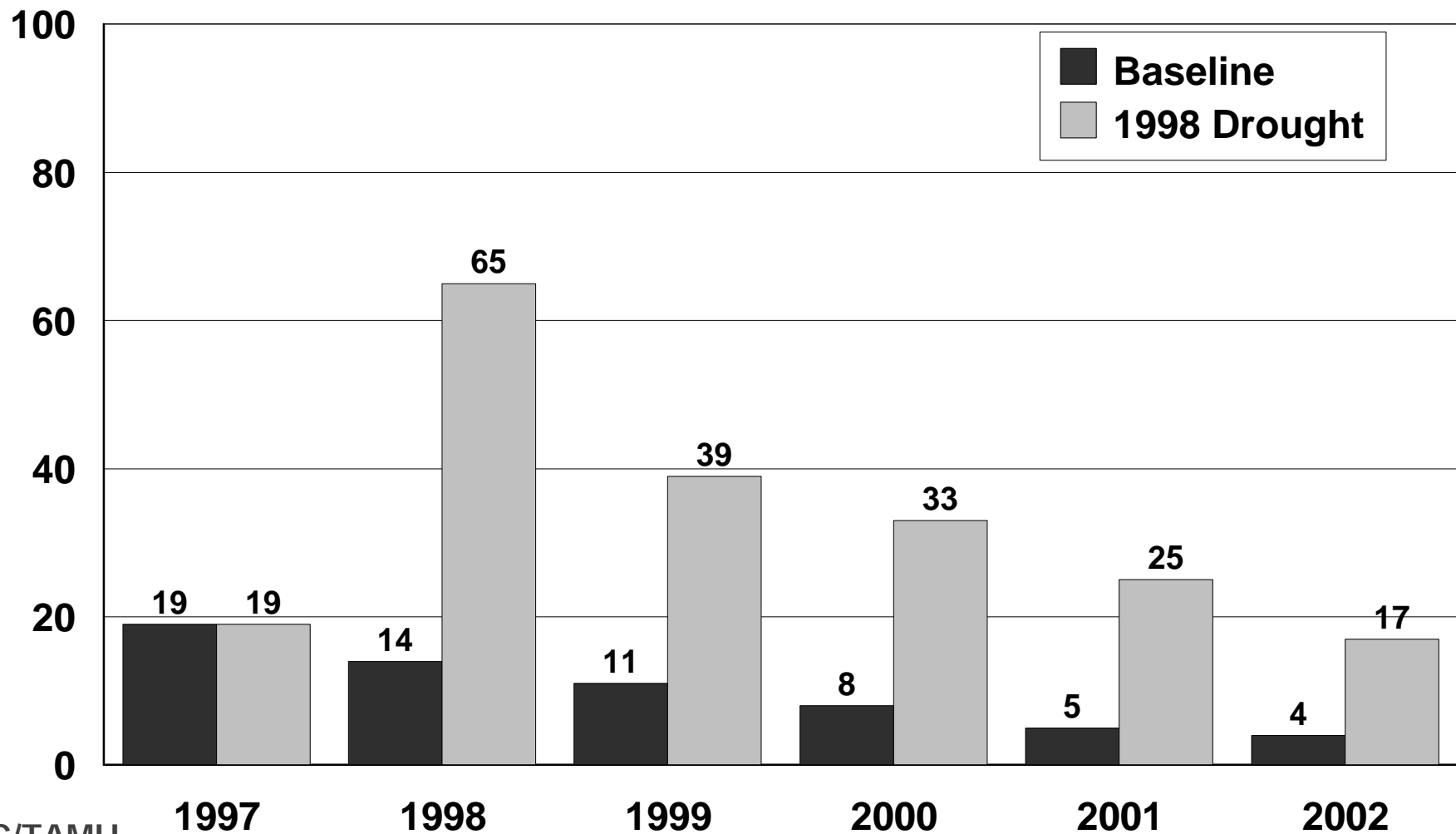


Texas Southern Plains Large Cotton Farm



Texas Southern Plains Large Cotton Farm

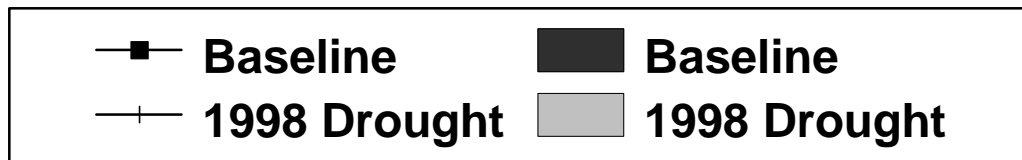
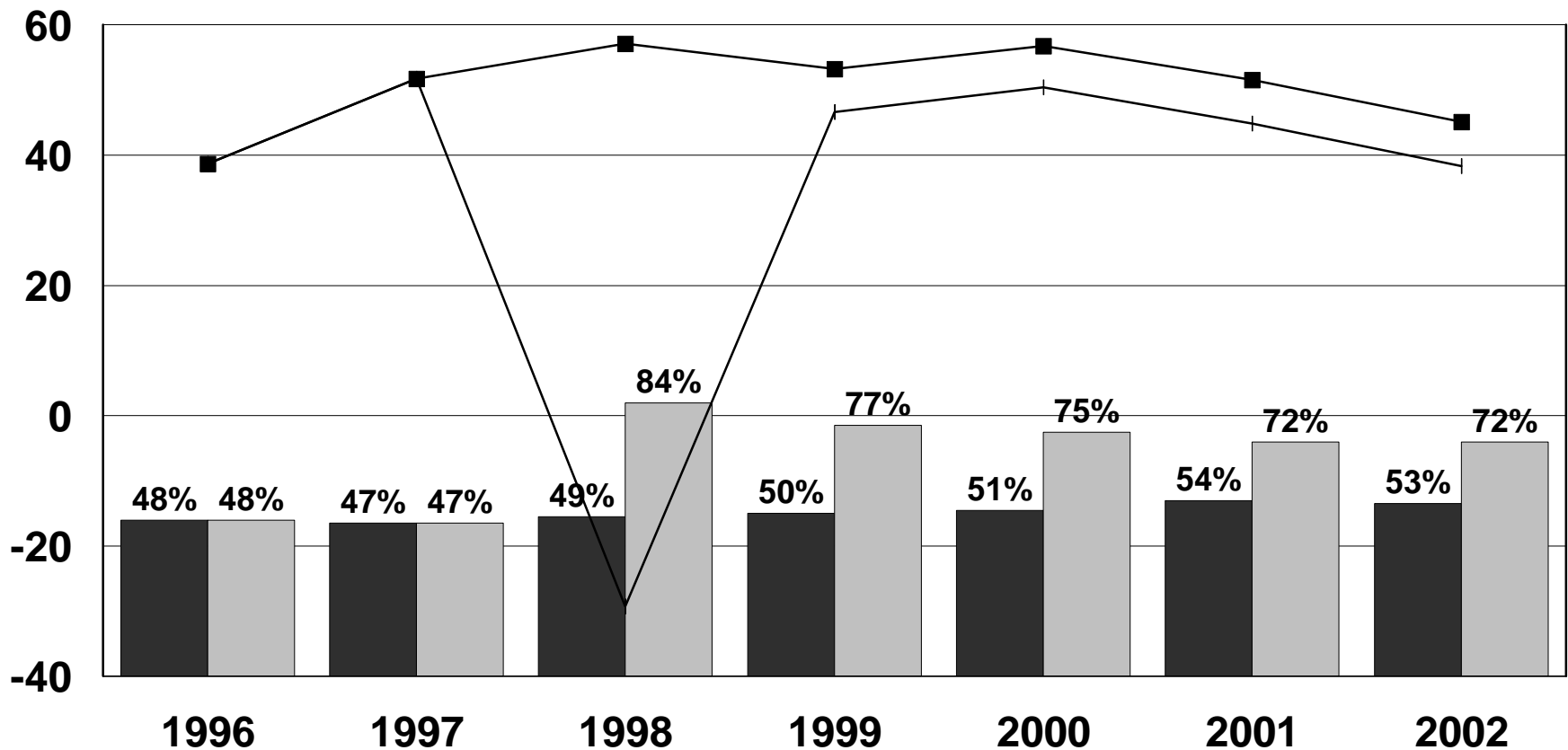
Probability of Losing Real Net Worth (%)



Texas Rolling Plains Cotton Farm

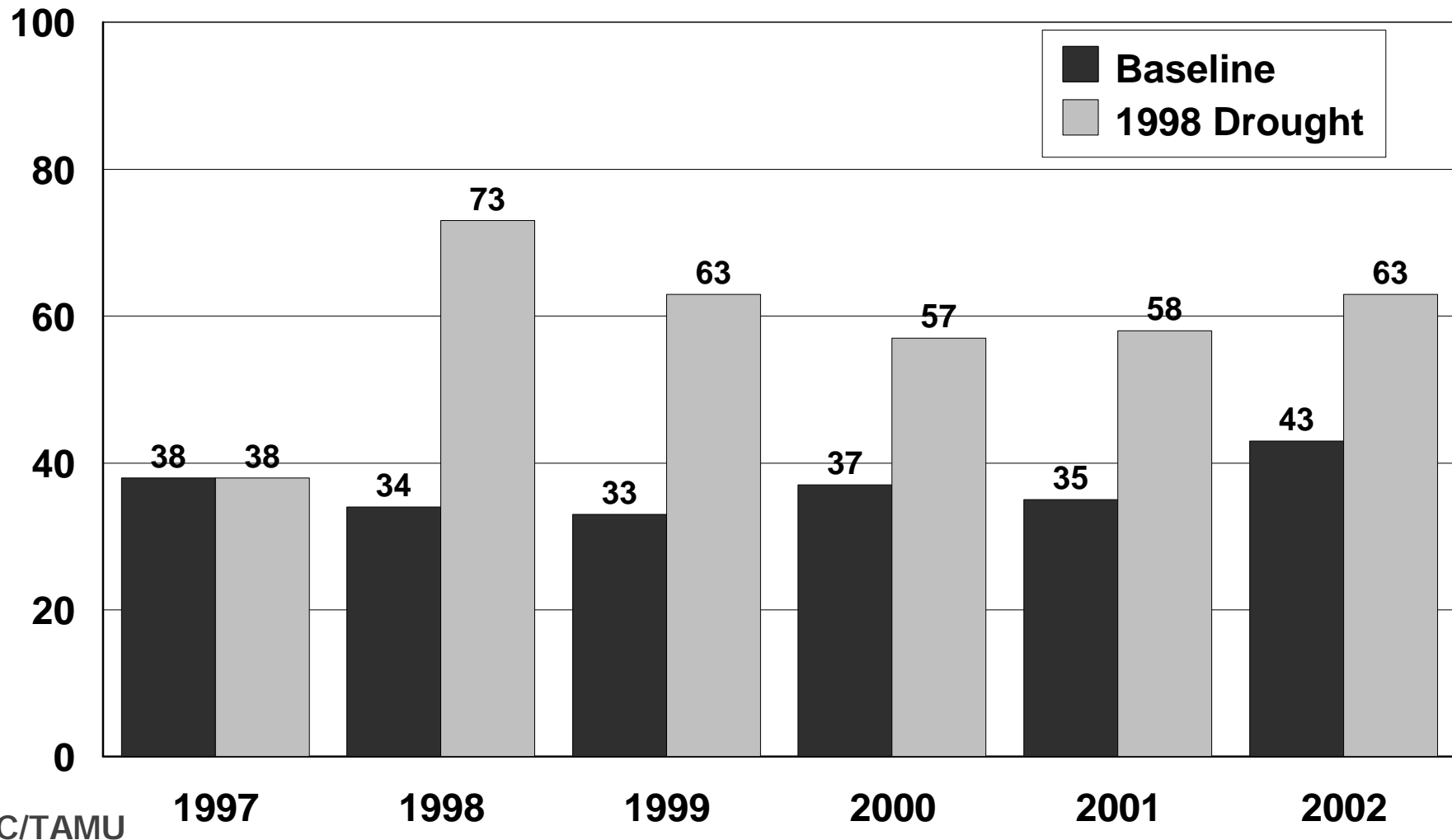
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Rolling Plains Cotton Farm

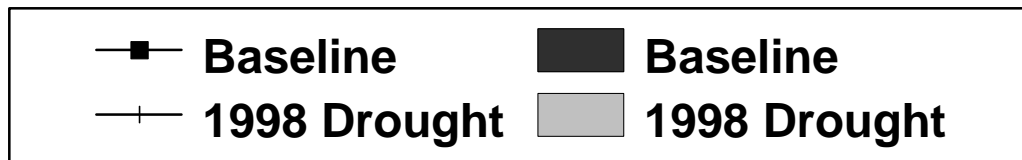
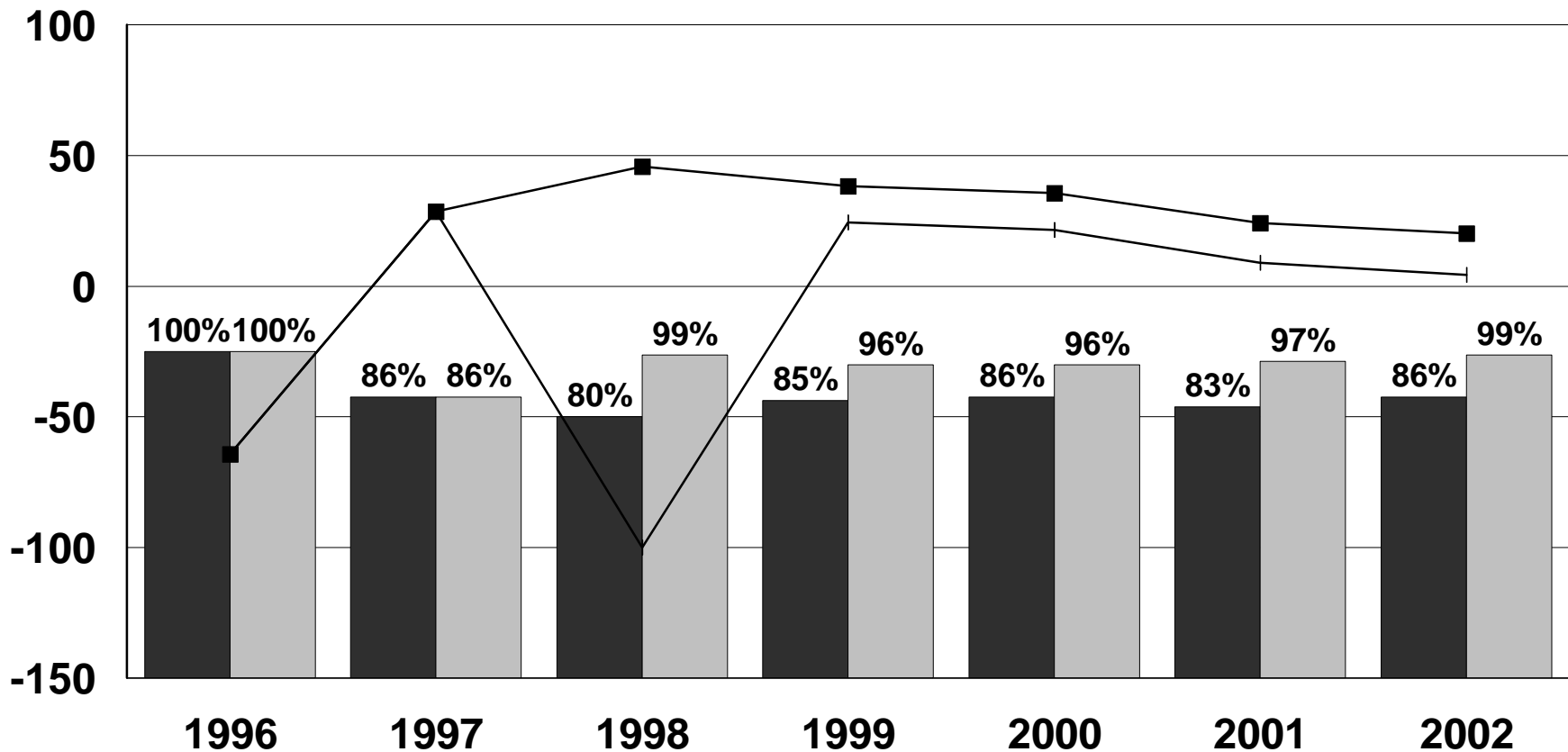
Probability of Losing Real Net Worth (%)



Texas Coastal Bend Cotton Farm

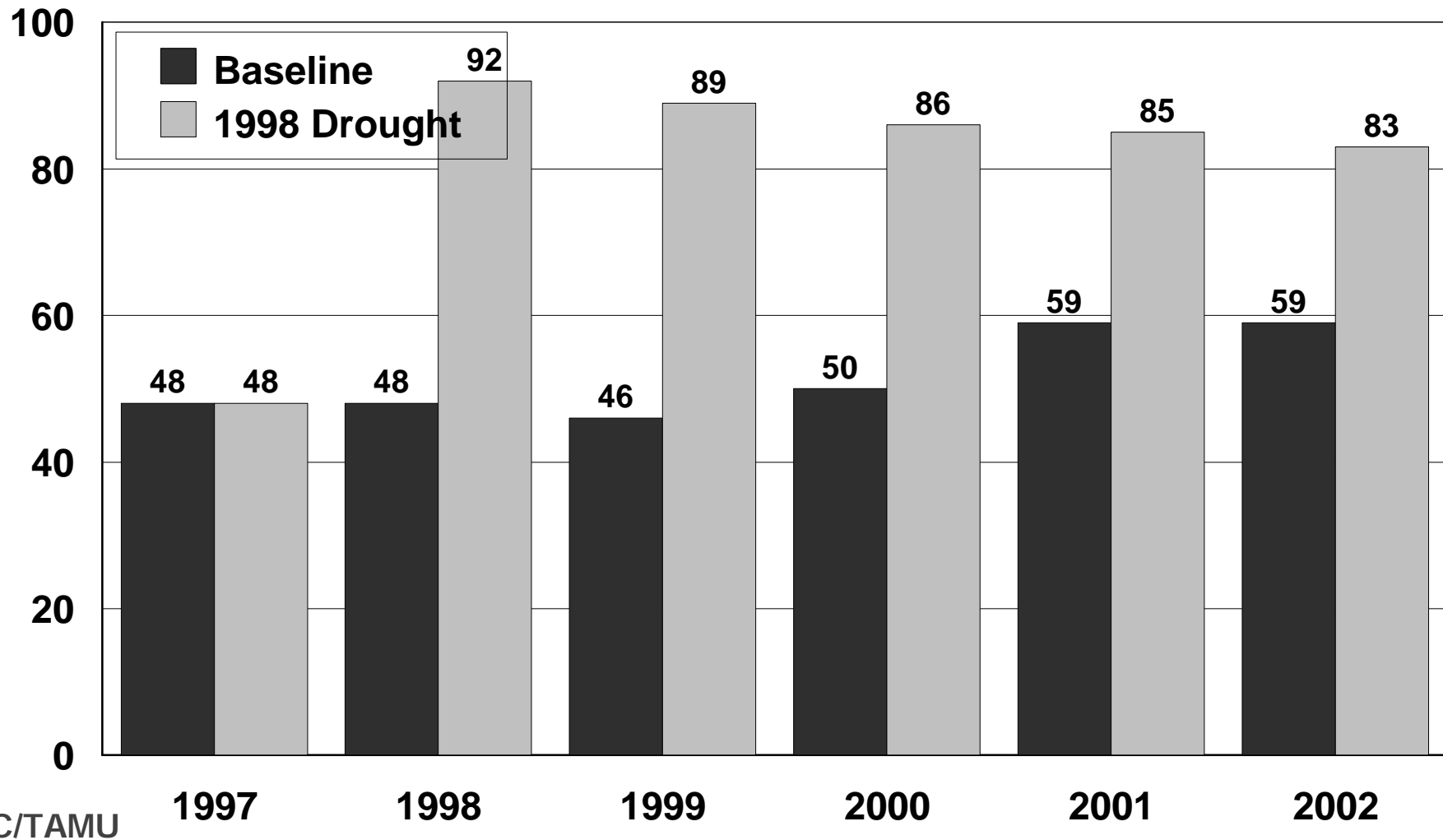
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Coastal Bend Cotton Farm

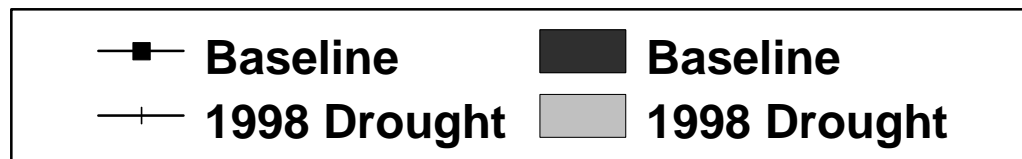
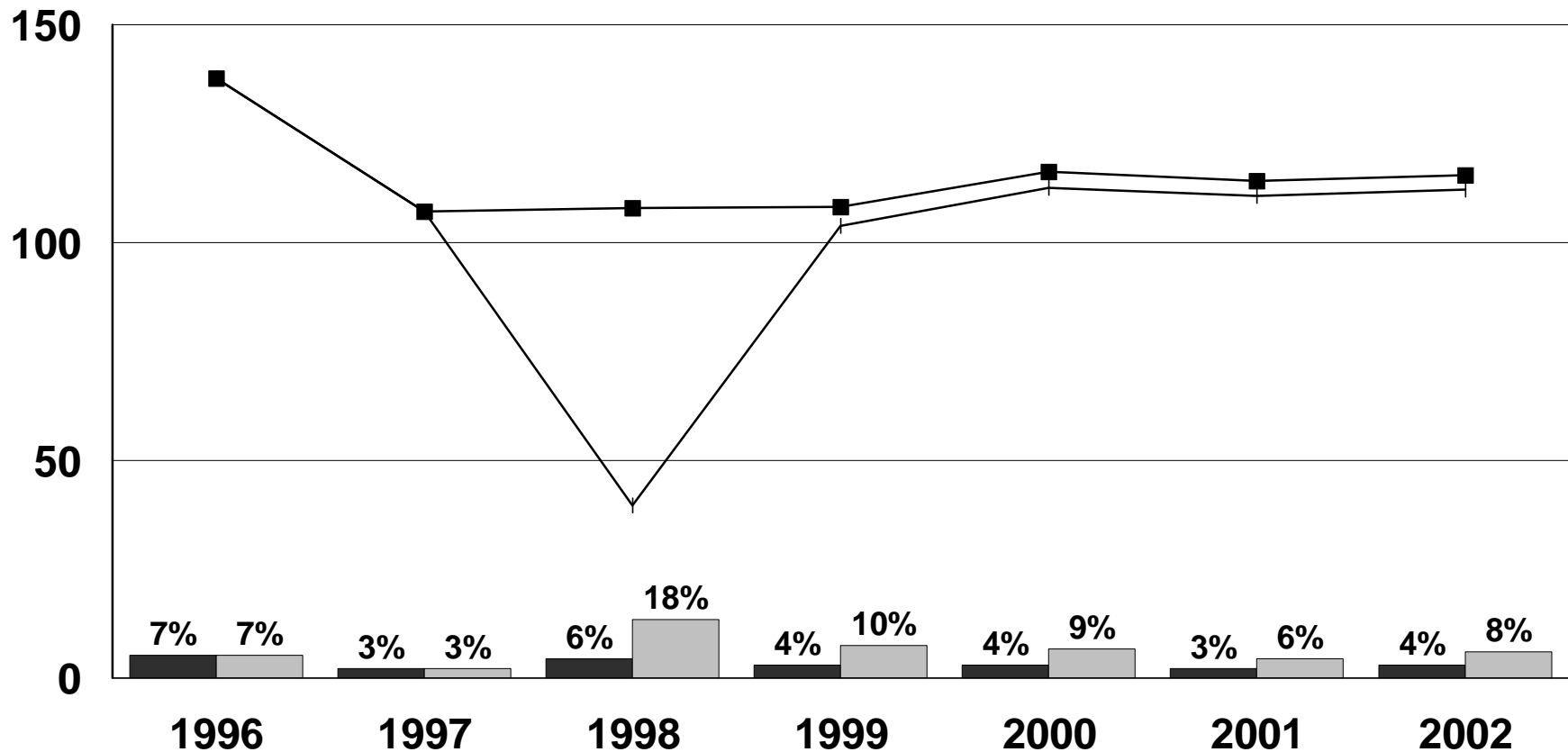
Probability of Losing Real Net Worth (%)



Texas Northern Plains Moderate Grain Farm

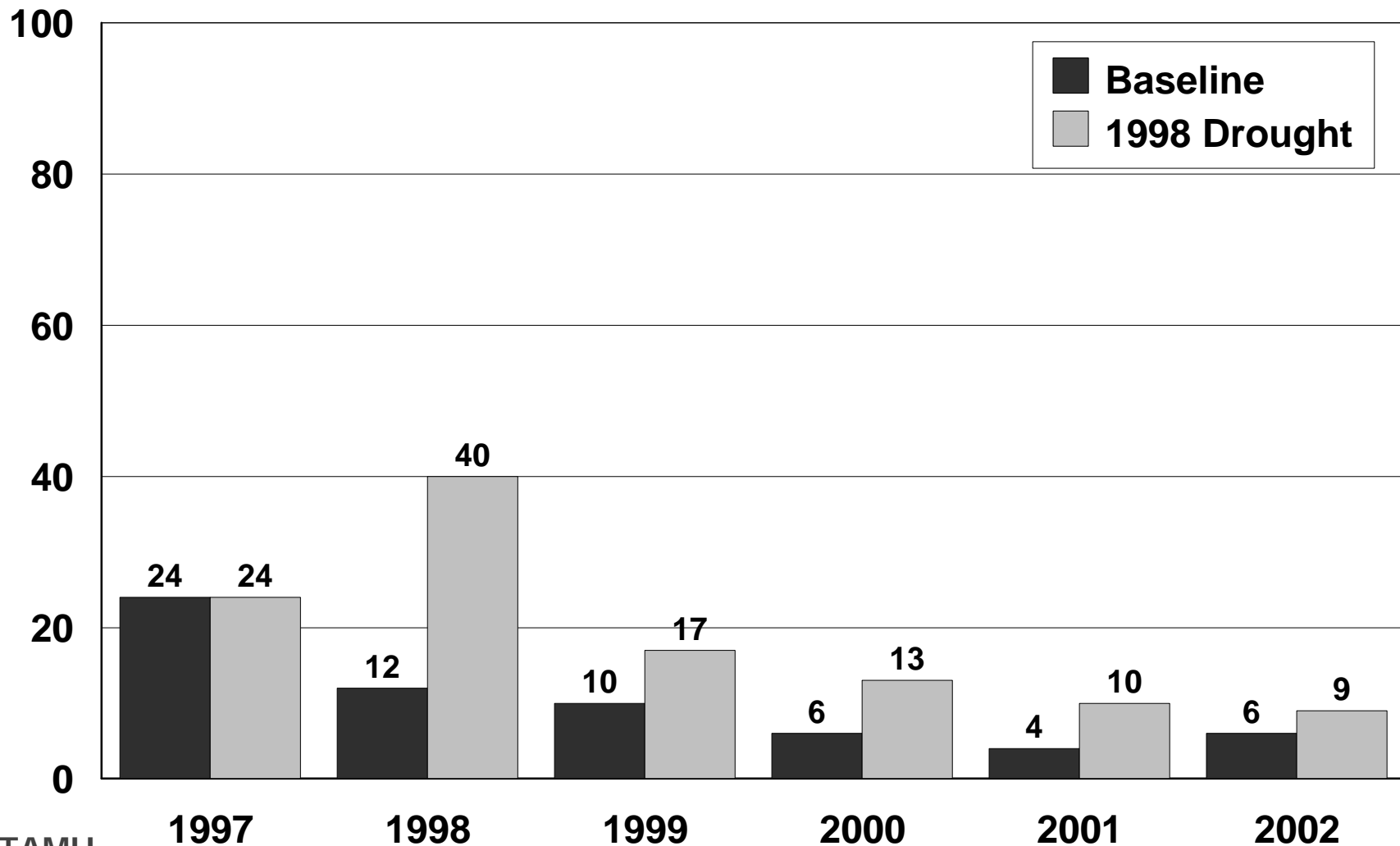
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Northern Plains Moderate Grain Farm

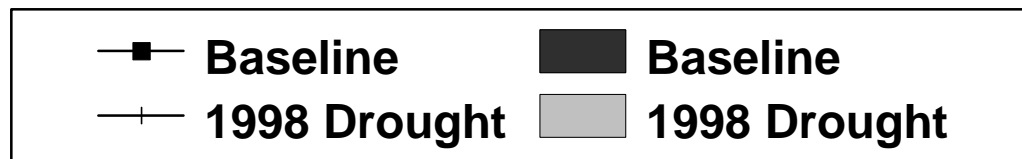
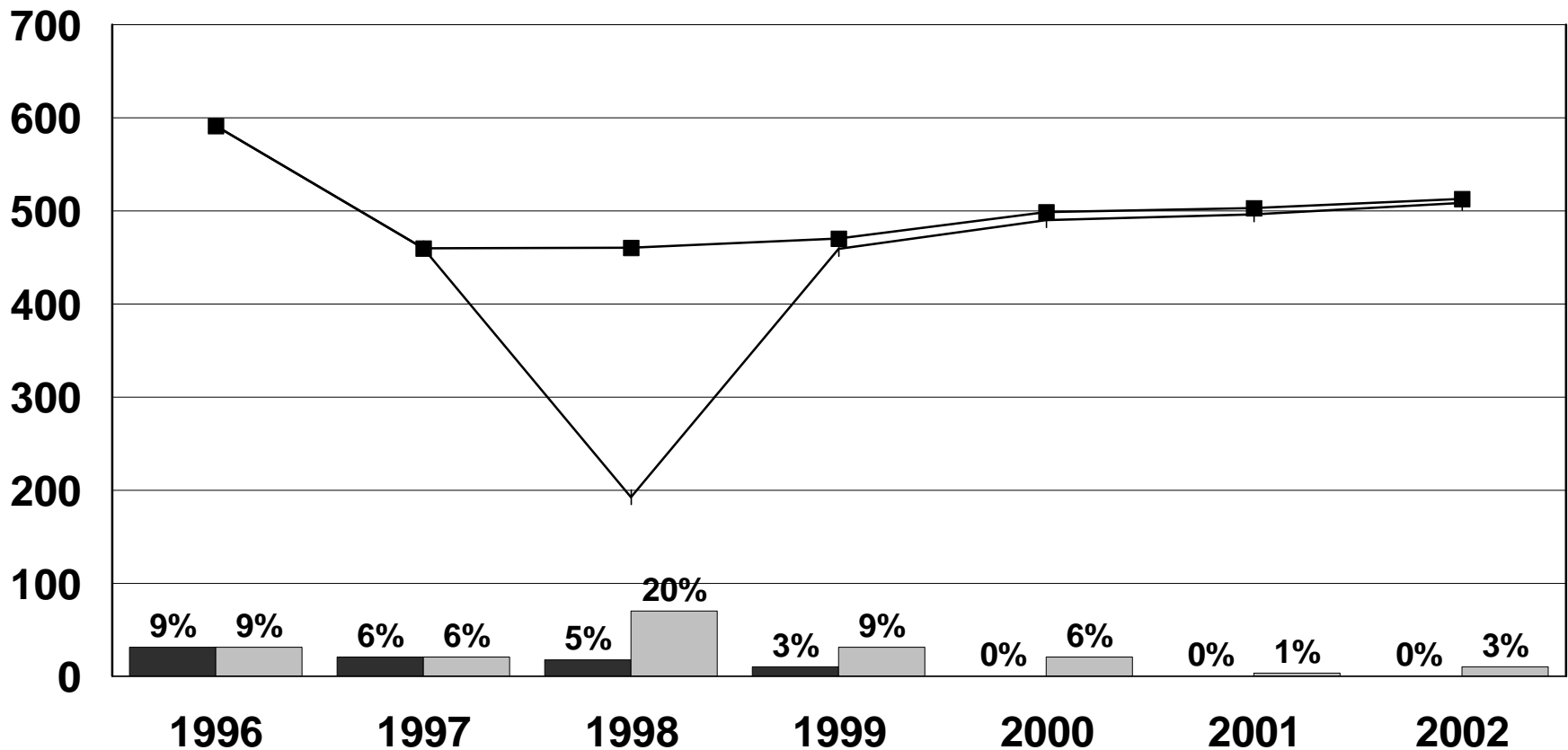
Probability of Losing Real Net Worth (%)



Texas Northern Plains Large Grain Farm

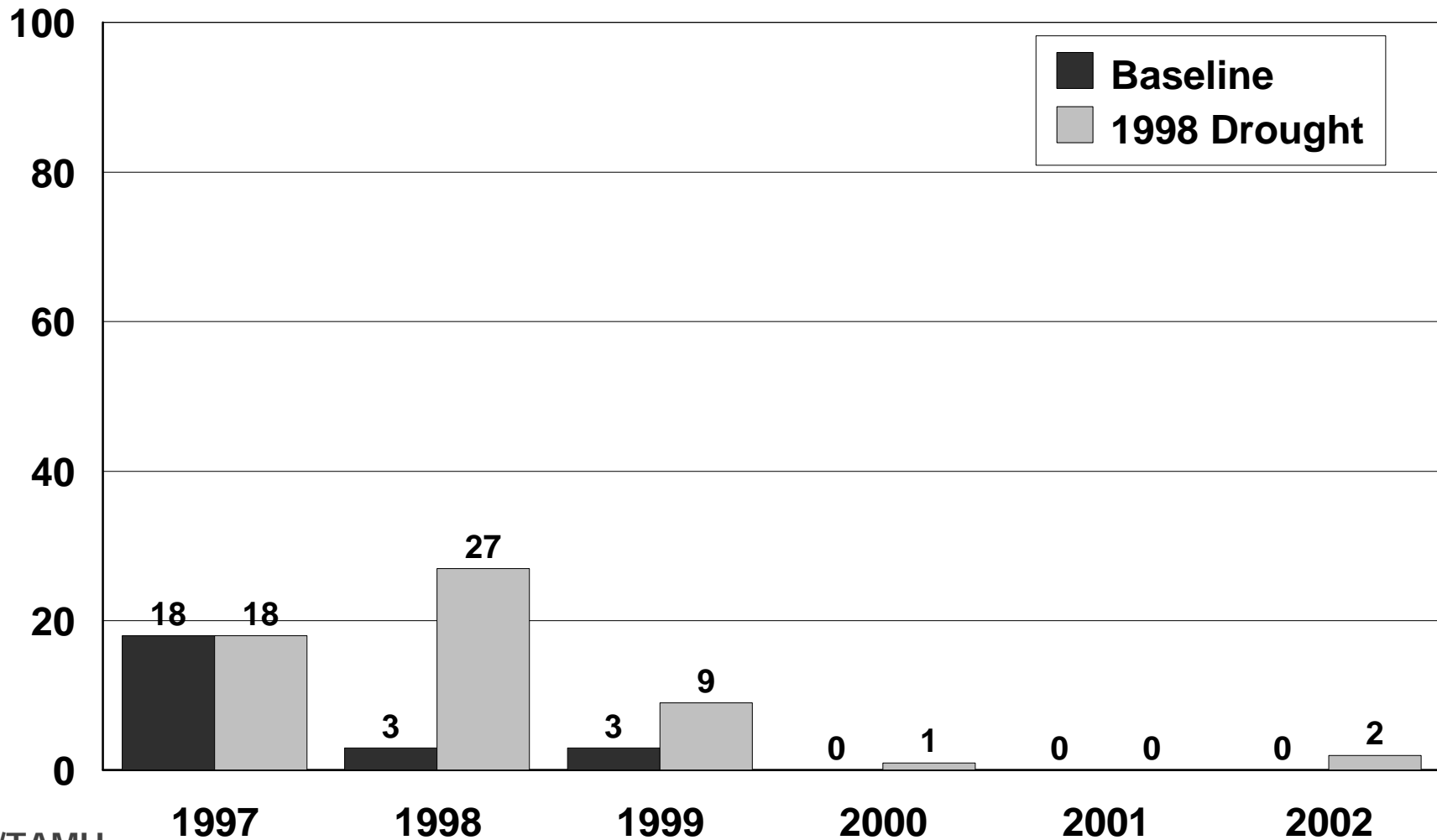
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Northern Plains Large Grain Farm

Probability of Losing Real Net Worth (%)



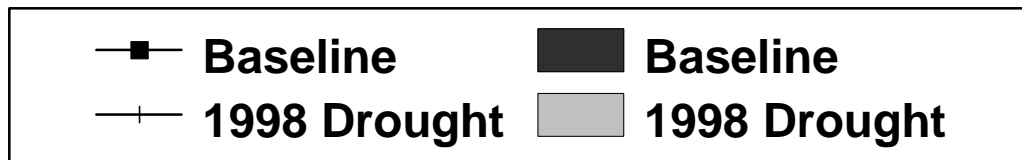
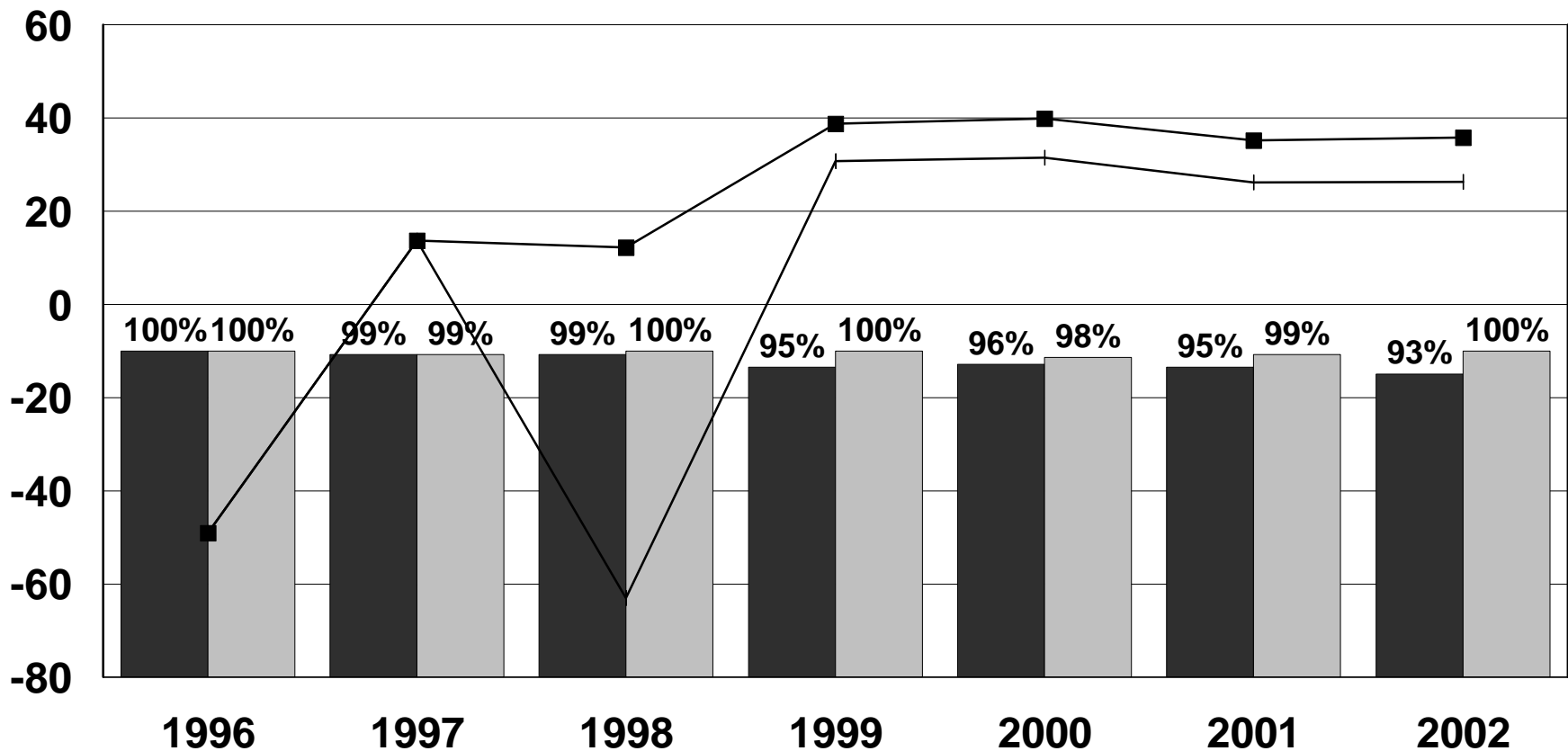
Implications

- 👉 **Dryland farmers in big trouble**
 - Affects whole agriculture community
- 👉 **Relative benefits of 1996 Farm Bill indeterminate over full life of bill**
 - Need strong export demand to fulfill objectives
- 👉 **Producers must be able to assess risk management alternatives**

Texas Blackland Cotton Farm

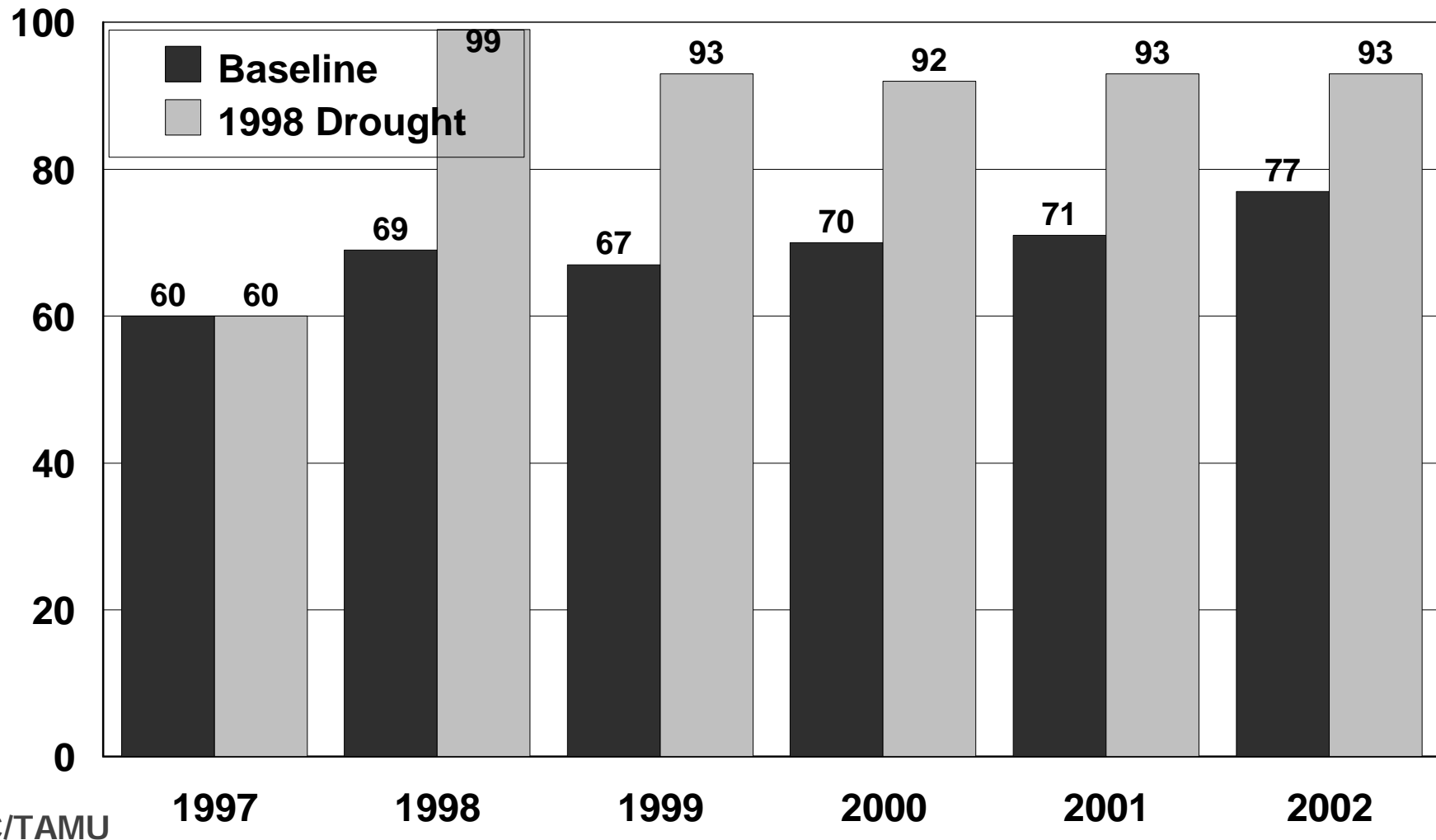
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Blackland Cotton Farm

Probability of Losing Real Net Worth (%)

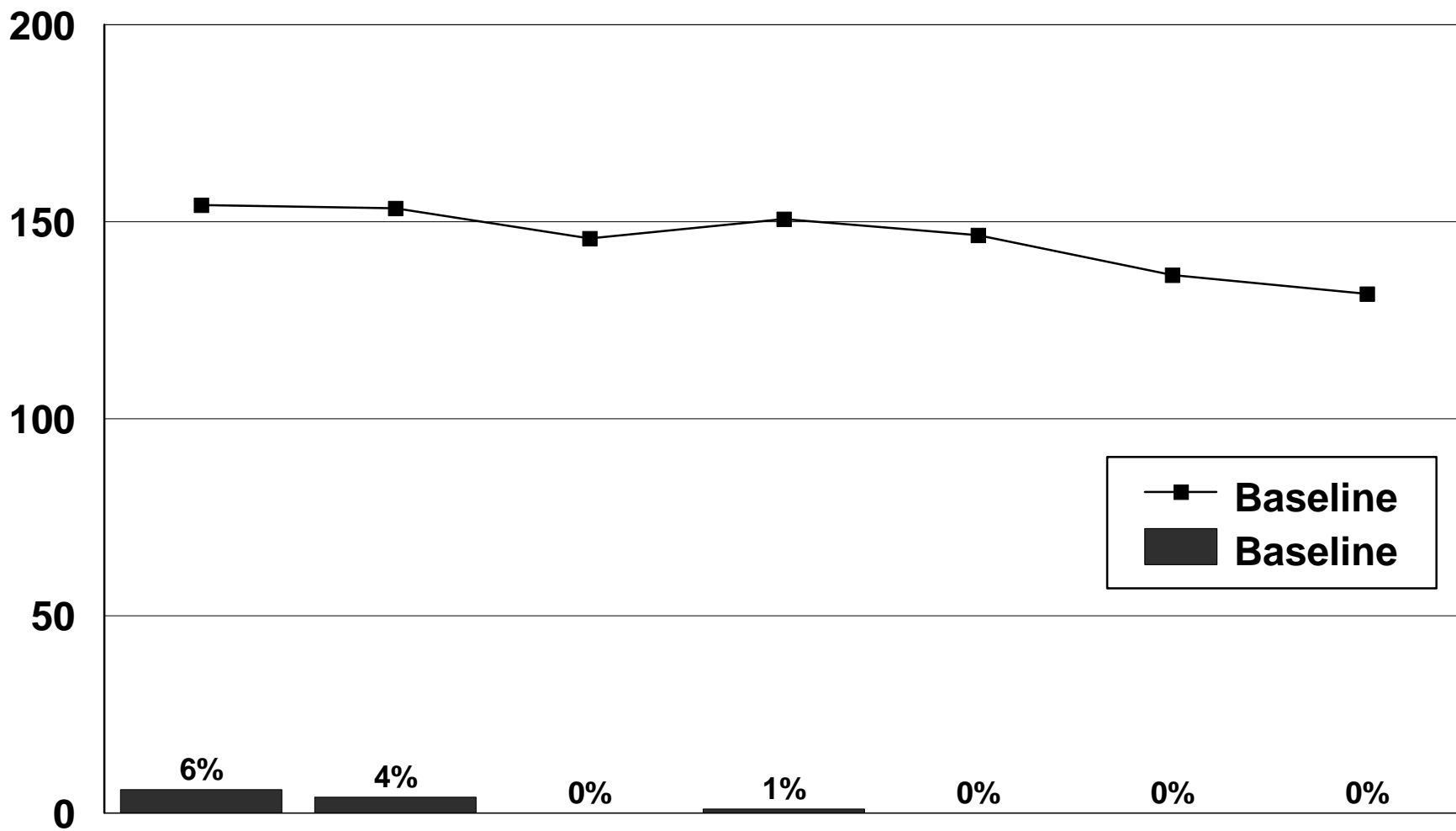


Texas Moderate Rice Farm



Net Cash Farm Income (\$1,000)

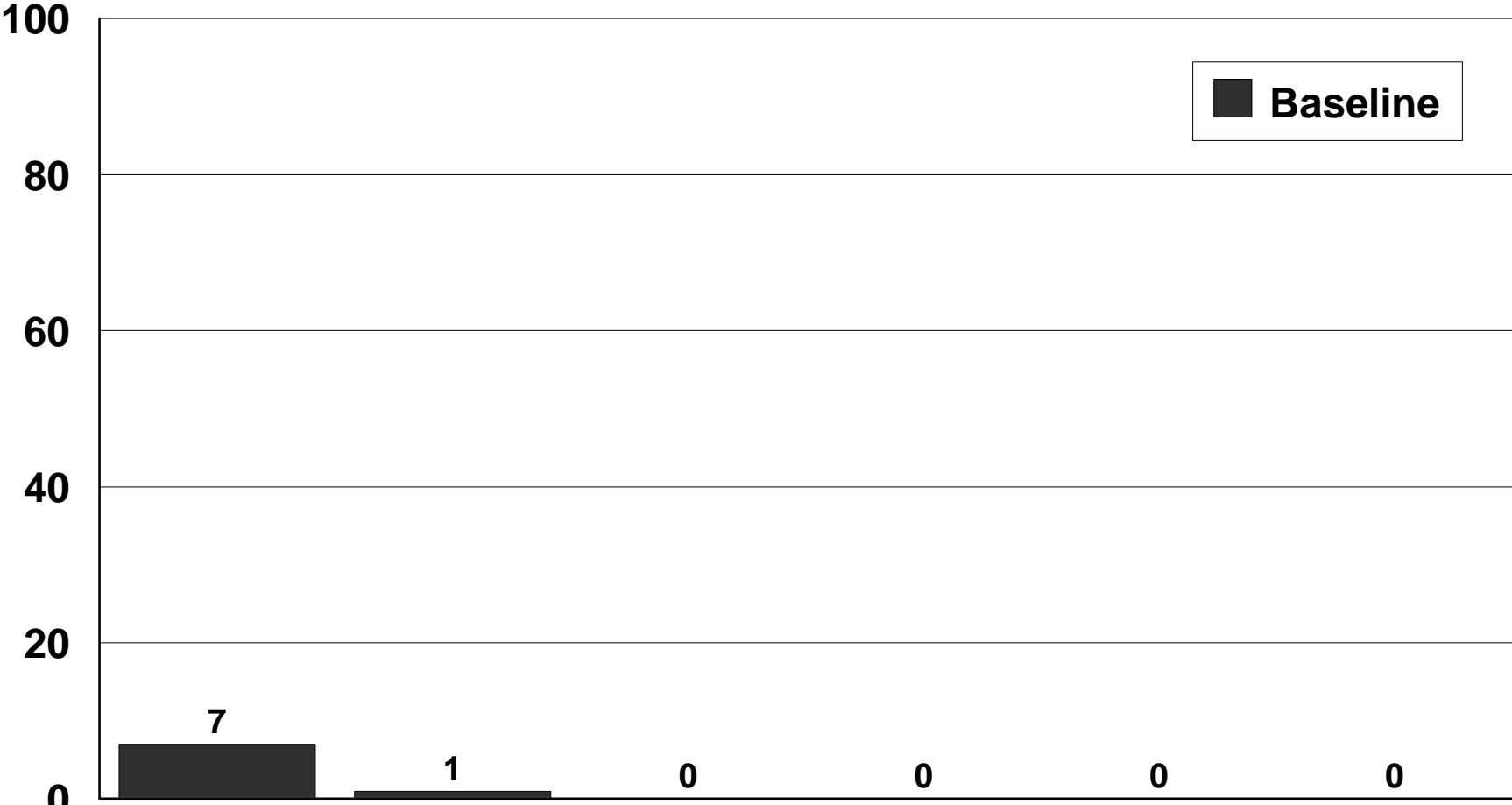
Probability of Refinancing Deficits (%)



Texas Moderate Rice Farm



Probability of Losing Real Net Worth (%)

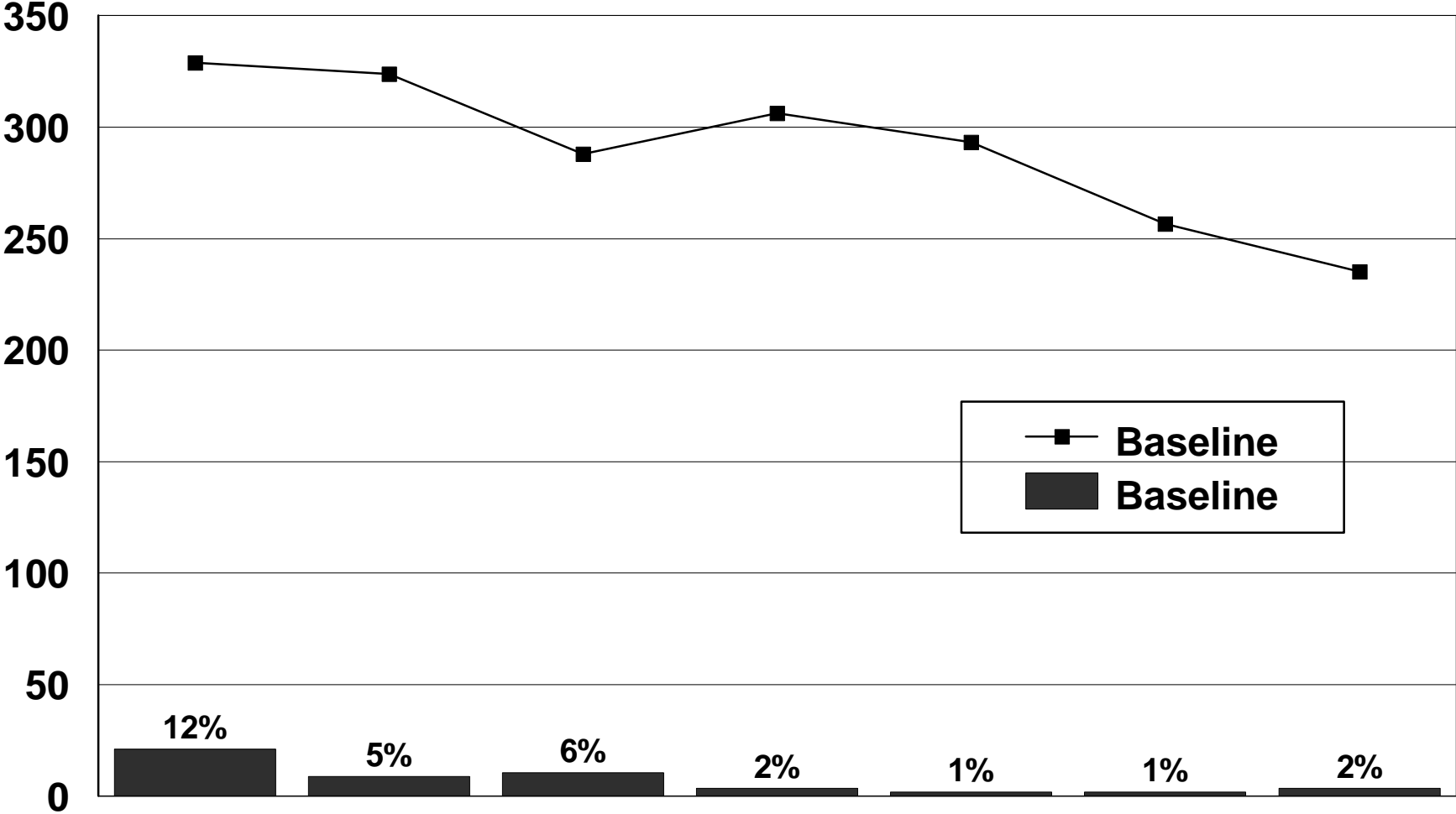


Texas Large Rice Farm



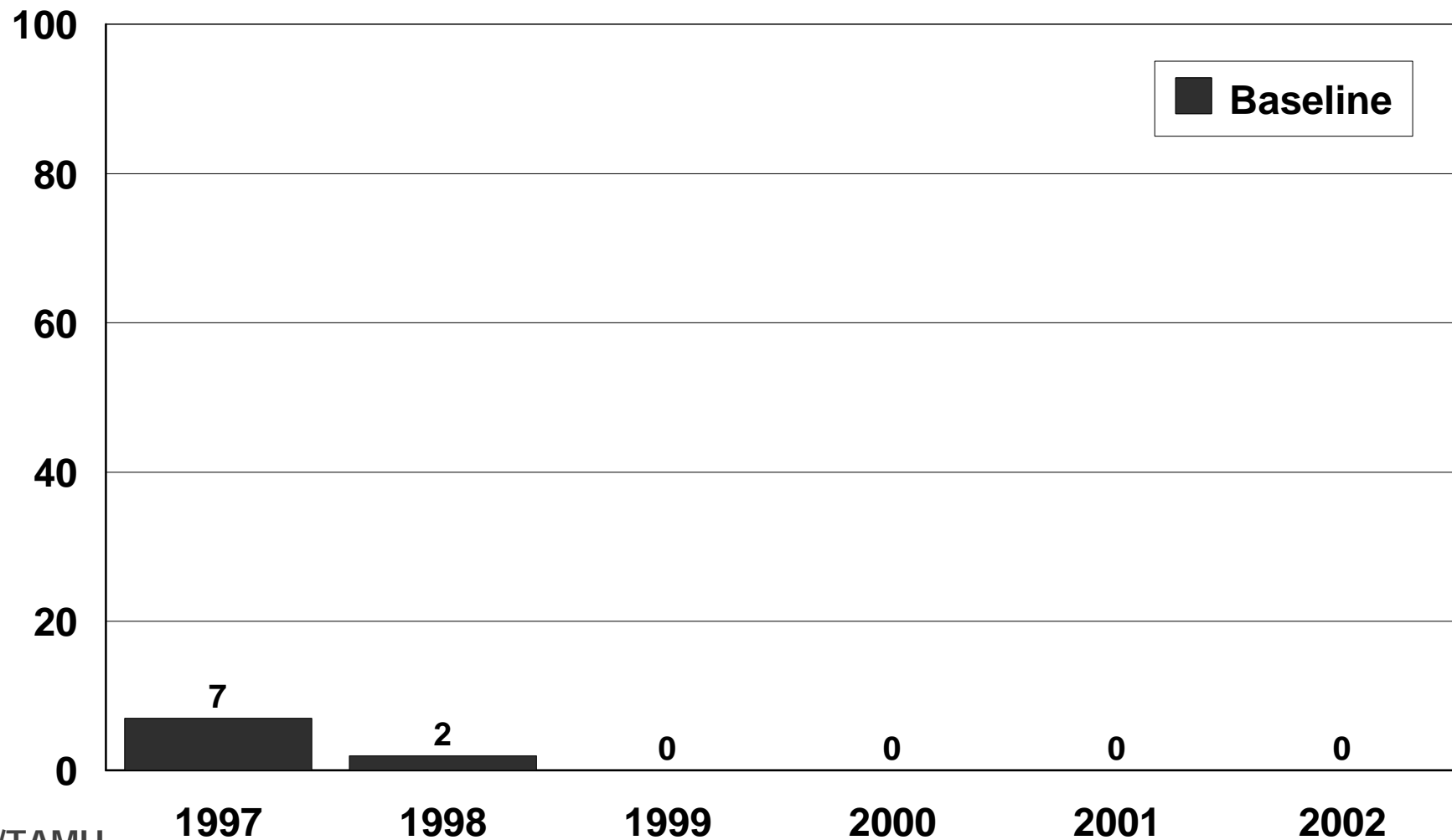
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Texas Large Rice Farm

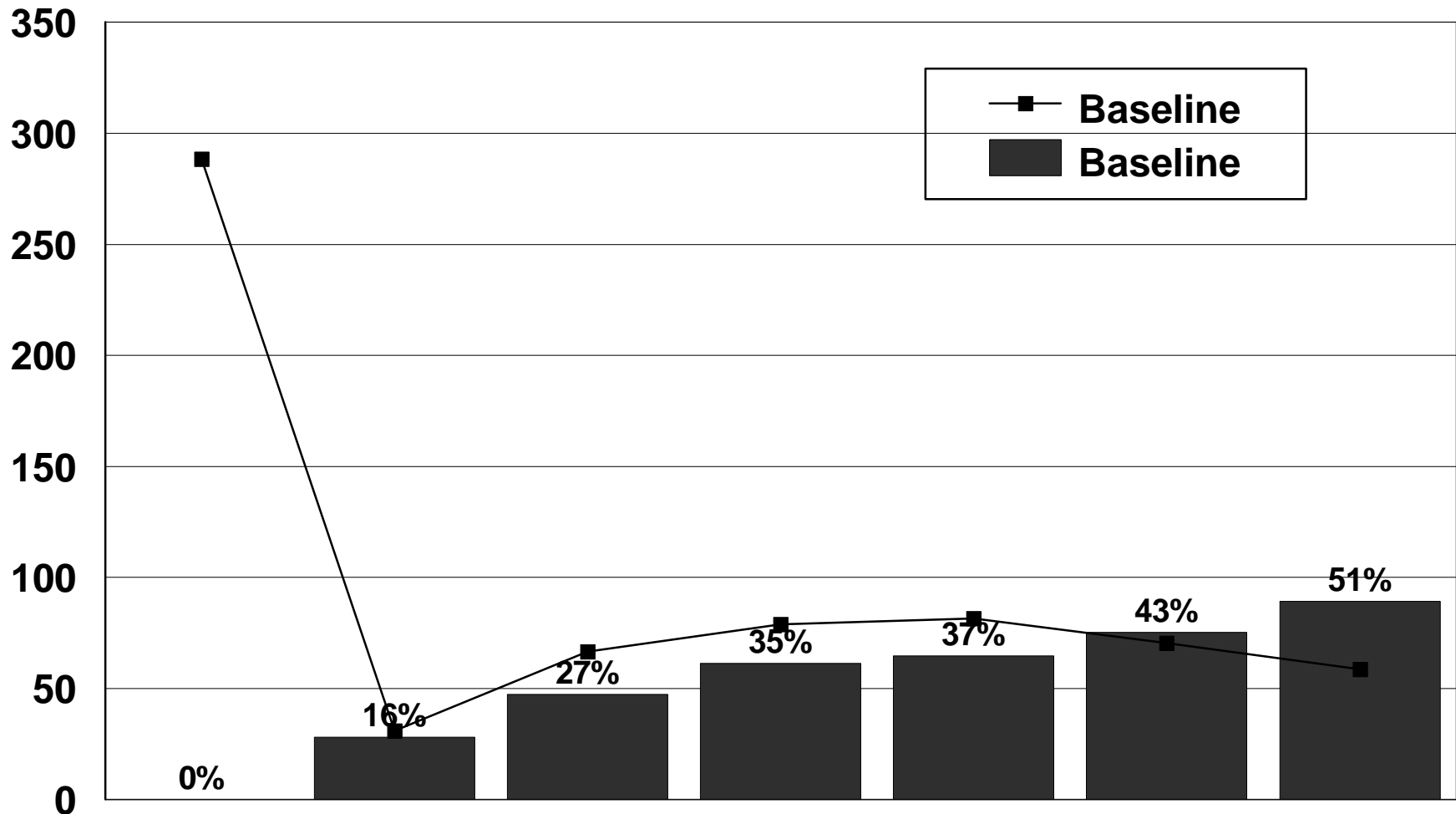
Probability of Losing Real Net Worth (%)



Central Texas Moderate Dairy

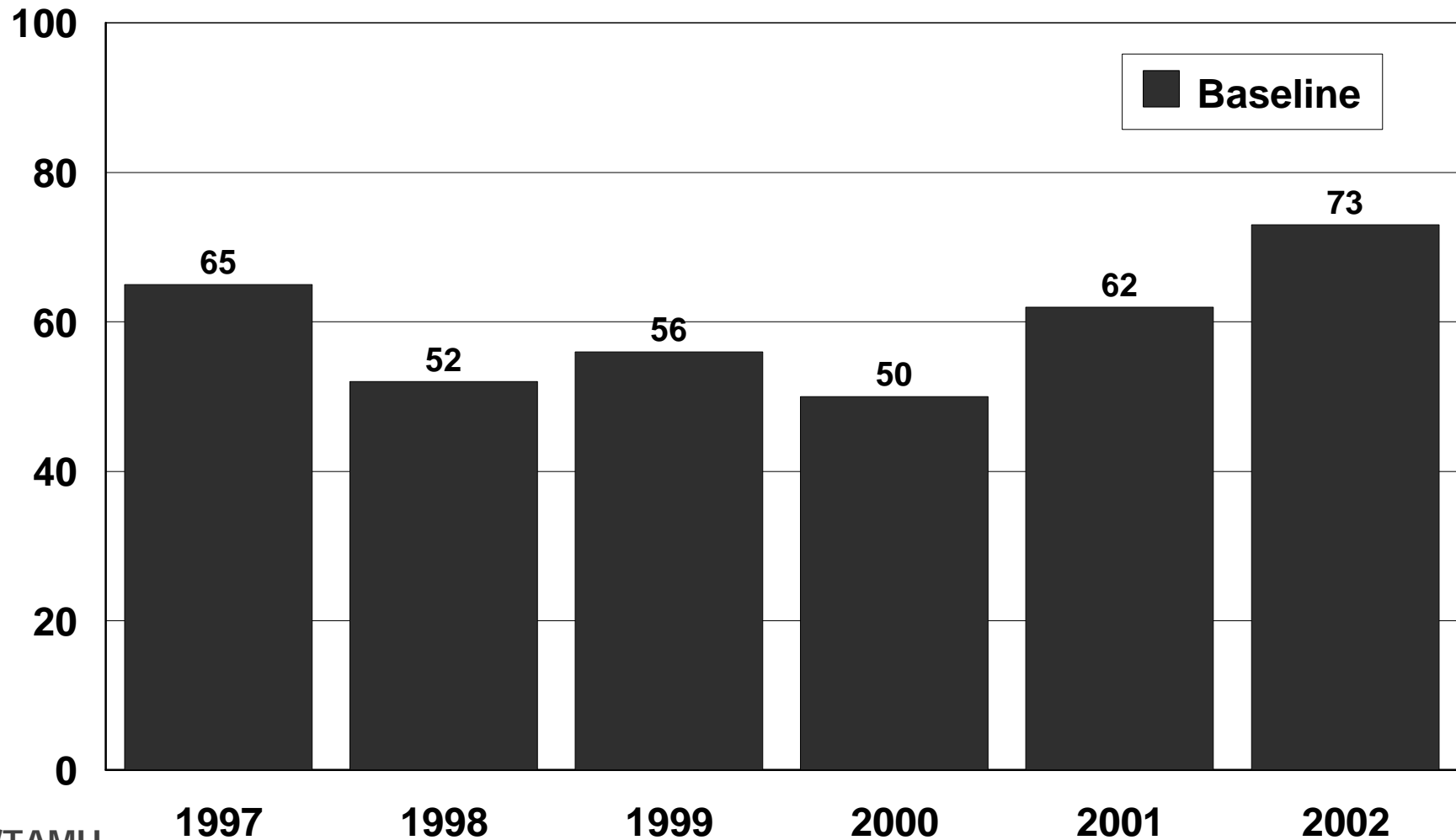
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Central Texas Moderate Dairy

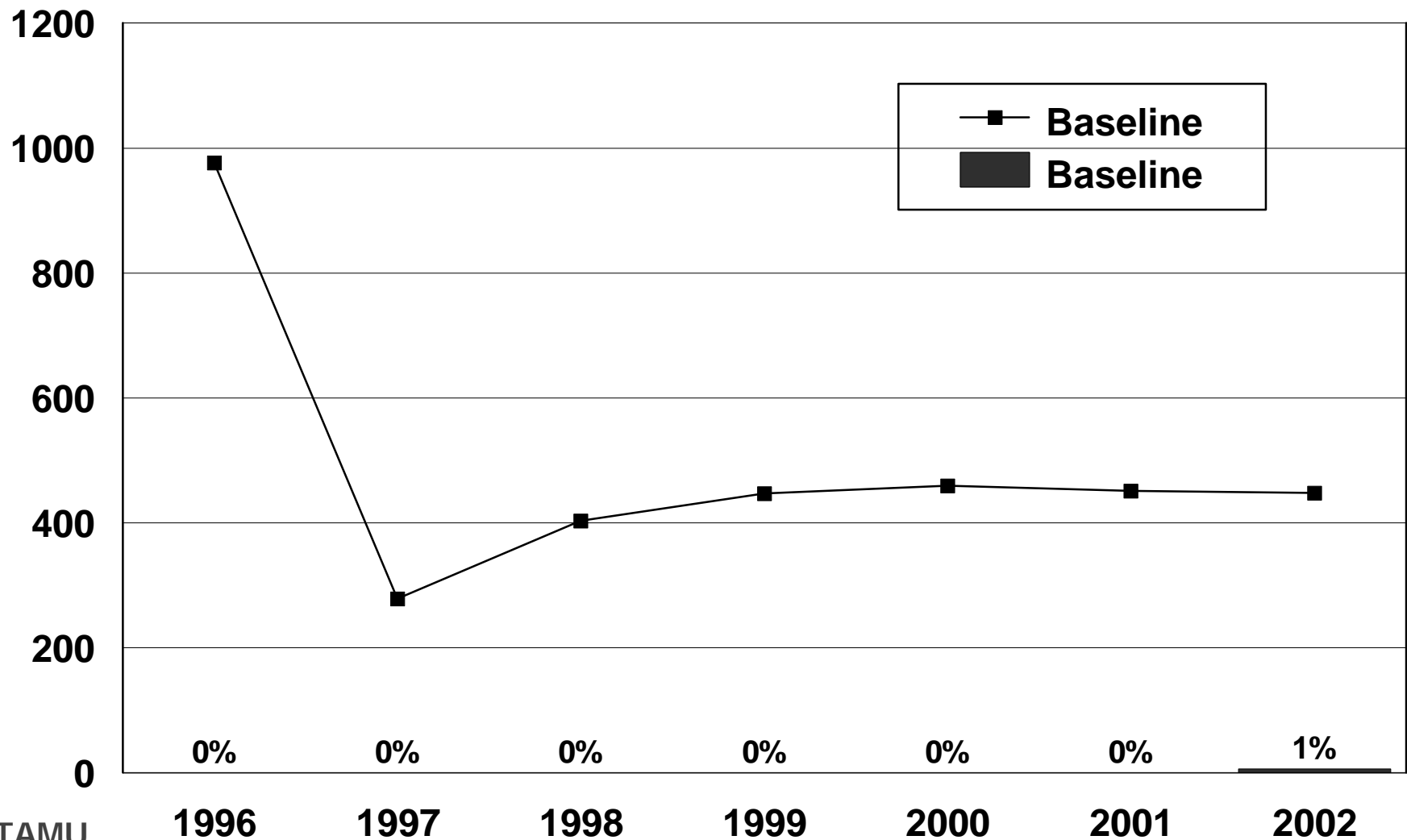
Probability of Losing Real Net Worth (%)



Central Texas Large Dairy

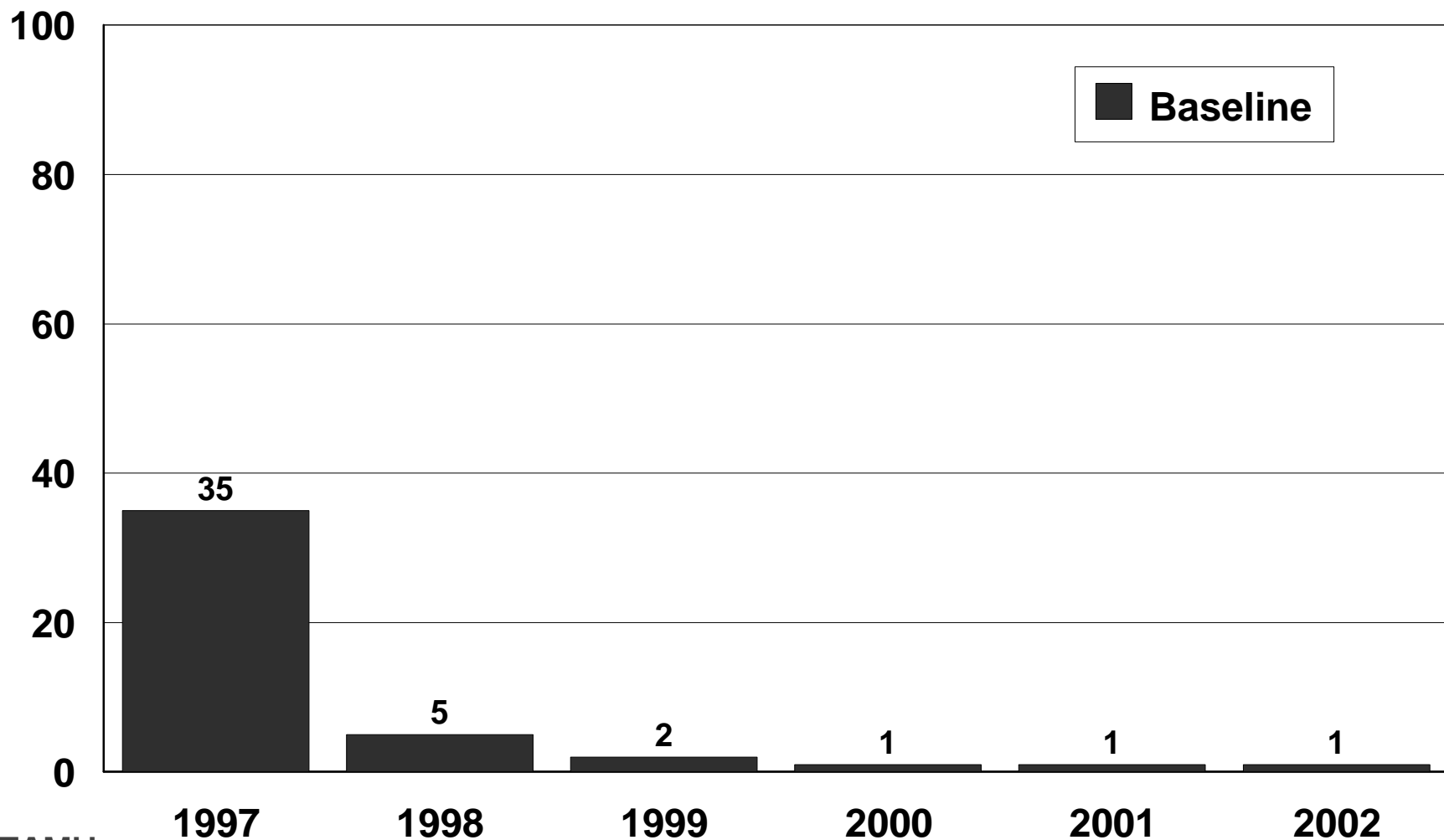
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



Central Texas Large Dairy

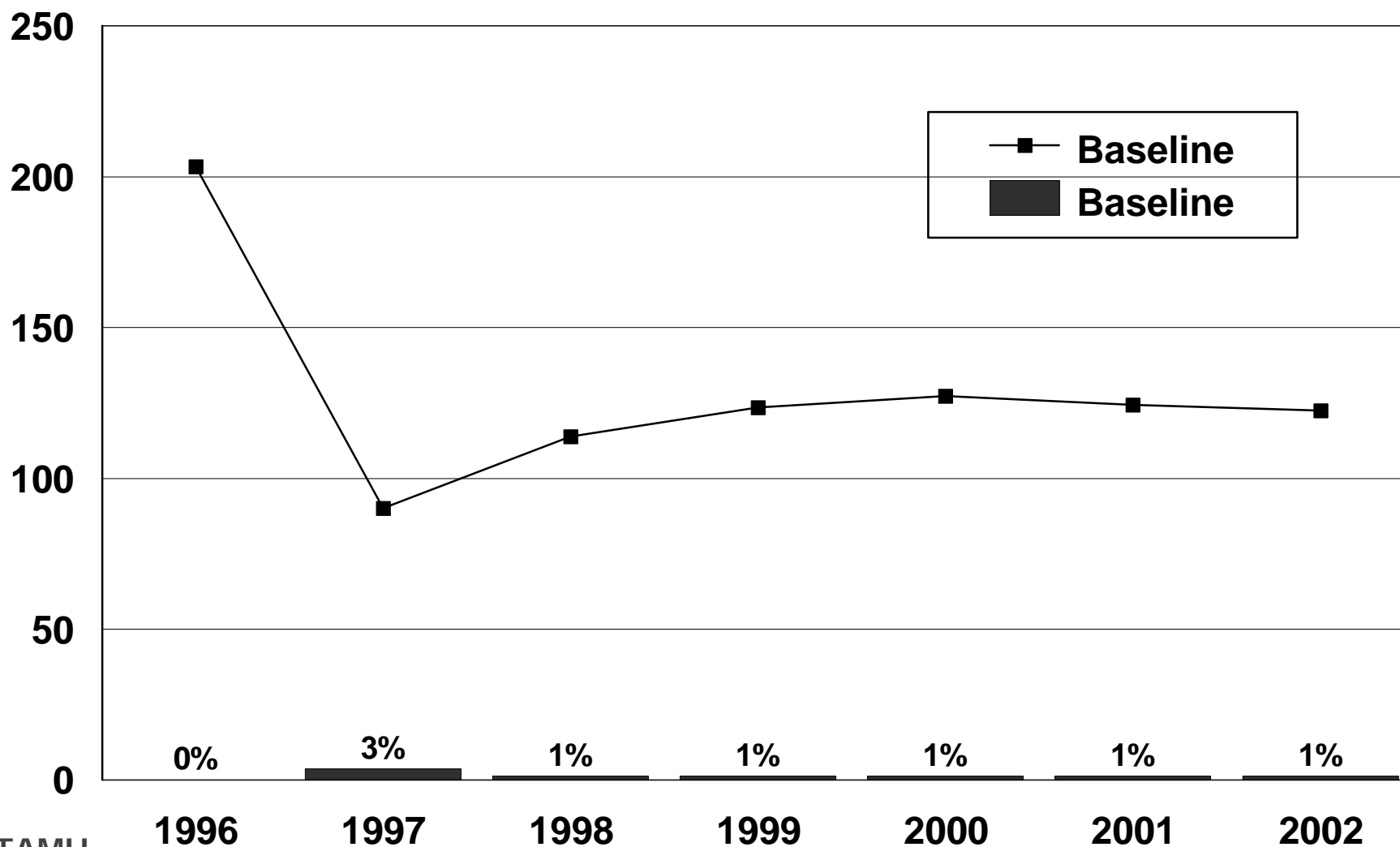
Probability of Losing Real Net Worth (%)



East Texas Moderate Dairy

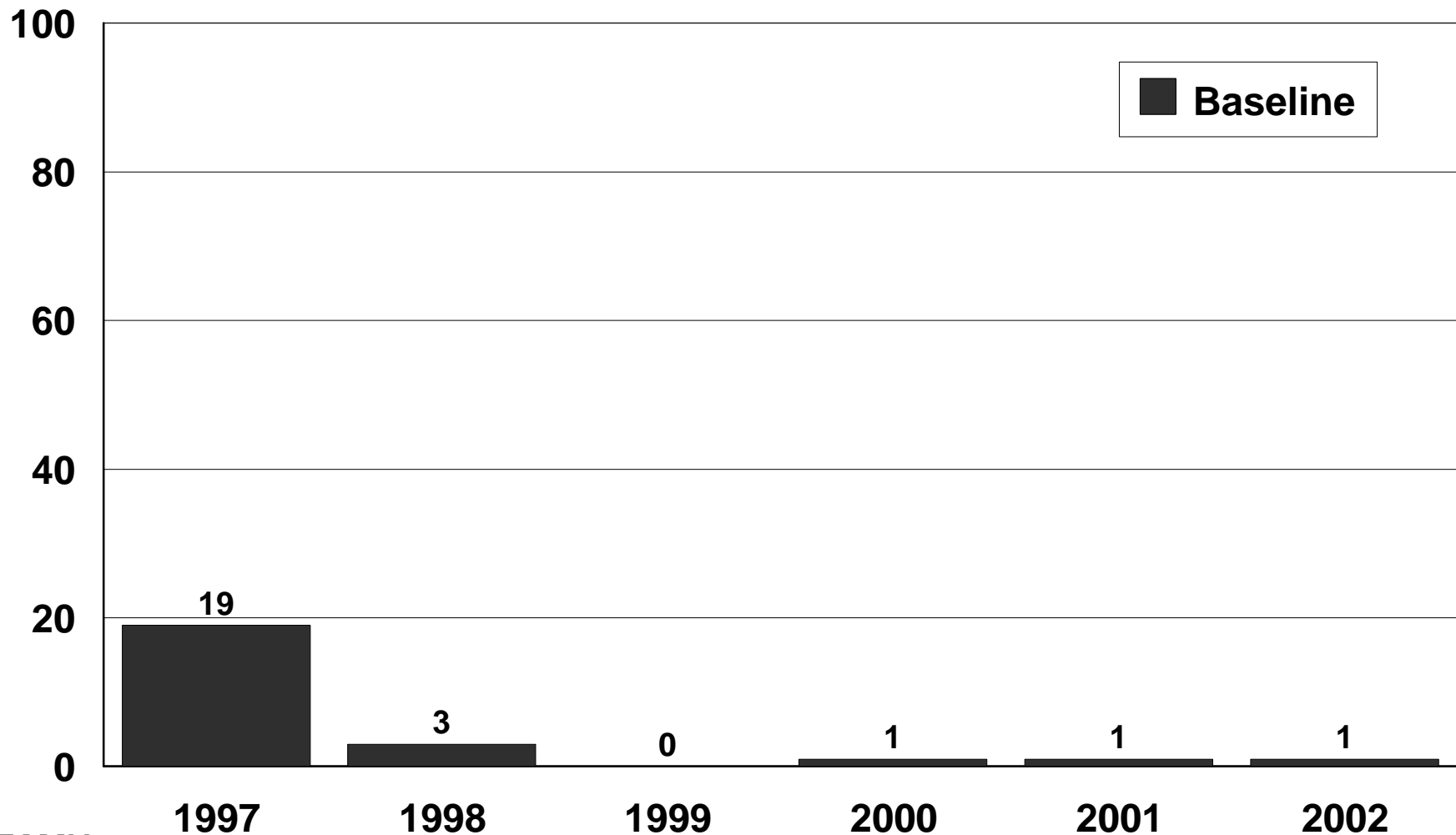
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



East Texas Moderate Dairy

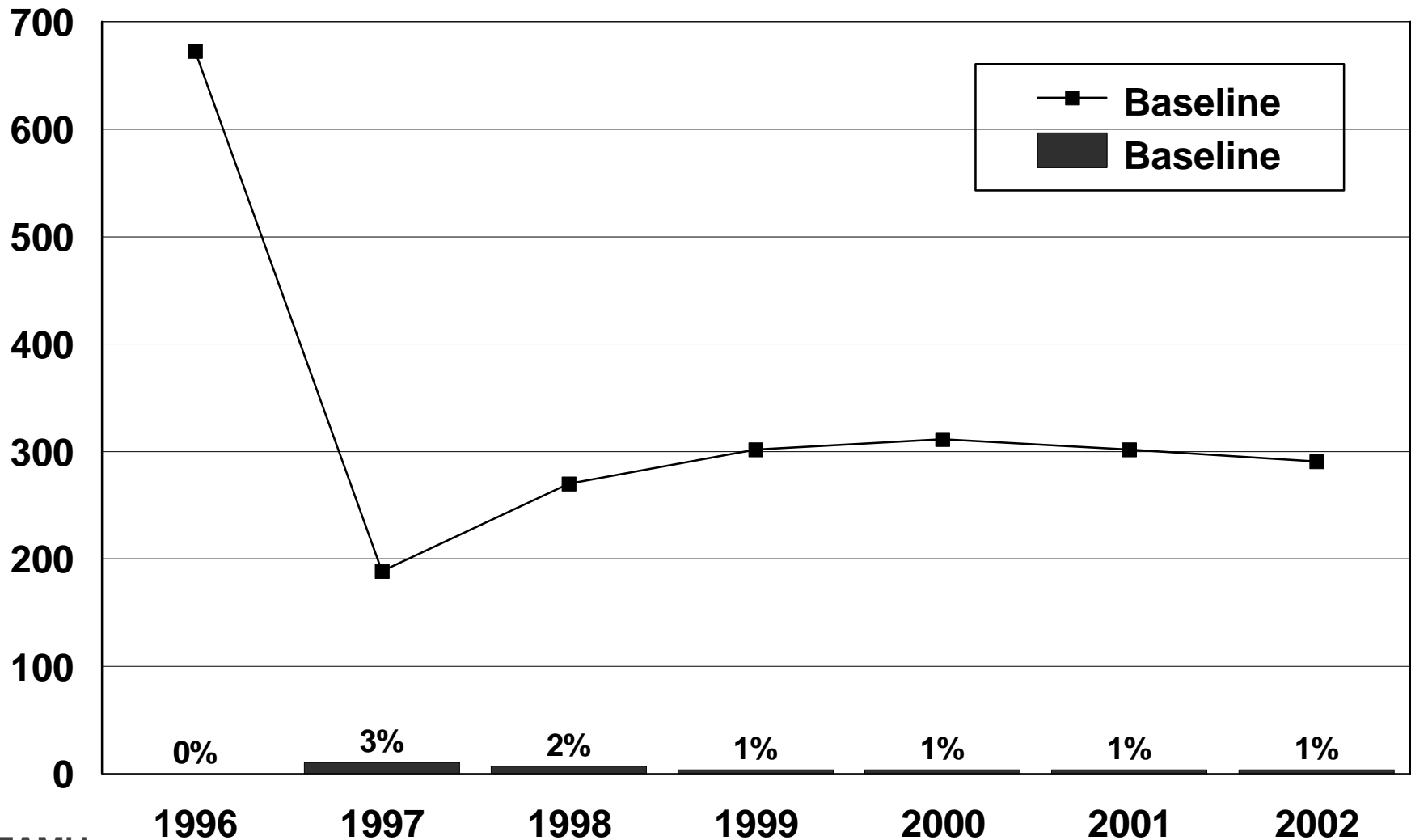
Probability of Losing Real Net Worth (%)



East Texas Large Dairy

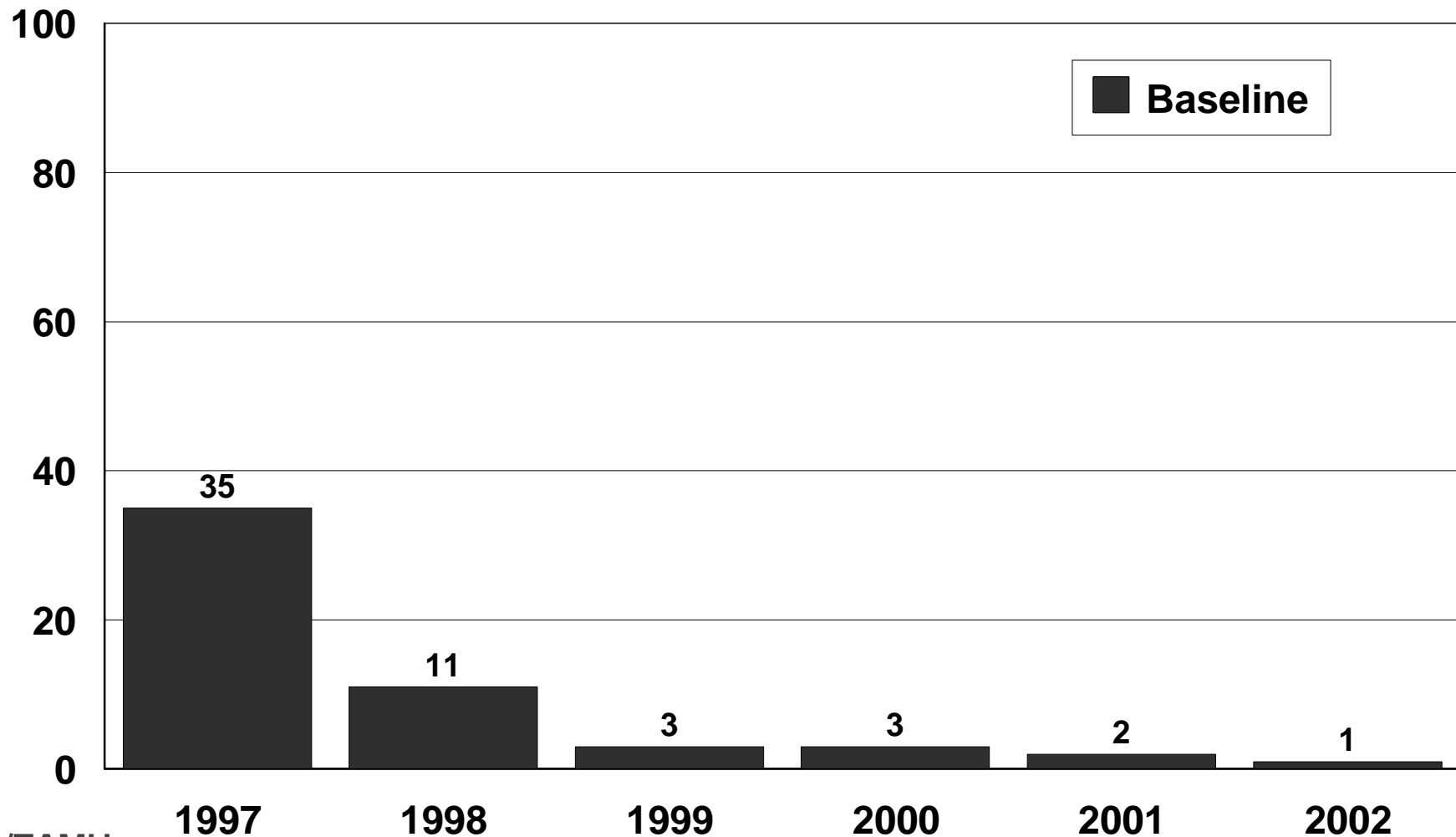
Net Cash Farm Income (\$1,000)

Probability of Refinancing Deficits (%)



East Texas Large Dairy

Probability of Losing Real Net Worth (%)



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