

Aug. 21, 2003

Cotton, Rice Producers Would Feel Brunt of More Payment Restrictions

*Writer: Blair Fannin, (979) 845-2259, email: b-fannin@tamu.edu
Contact: James Richardson, (979) 845-5913, email: jwrichardson@tamu.edu
or Joe Outlaw, (979) 845-3062, email: joutlaw@tamu.edu*

COLLEGE STATION -- A majority of U.S. cotton and rice farms included in a recent study would face significant financial hardships under a more restrictive farm payment program.

The study conducted by Texas A&M University's Agricultural and Food Policy Center suggests cotton and rice farms represented in the study would incur a majority of the payment limitation problems under a one entity rule "because they have the biggest cost of production and have received payments to offset those high costs of production," said Dr. James Richardson, a professor in the policy center.

Farmers currently abide by the three entity rule as part of the 2002 Farm Bill. Under the rule, an individual can receive a full payment directly and up to a half payment from two additional entities. A one entity rule would further reduce the amount of farm program payments to farmers by half

The study, which was presented to the federal Payment Limitation Commission in Washington, D.C., analyzed the current three-entity payment system versus the one entity rule. It includes 61 farming operations that produce wheat, rice, cotton and feed grain. The represented farms are located in Arkansas, Alabama, Colorado, Georgia, Iowa, Louisiana, Kansas, Missouri, Nebraska, North Carolina, North Dakota, South Carolina, Tennessee, Texas and Washington.

"Every one of the 61 farms in the study is a family farming operation," Richardson said. Of the 10 Texas cotton farming operations located from the Rio Grande Valley and to the High Plains, nearly all would run a high probability of exceeding either counter-cyclical or direct payment limitations if the one-entity rule were in place. Some of these operations exceeded 3,000 acres or more of cotton.

Three of the cotton operations, one 2,500-acre operation in the Rolling Plains, another 1,400-acre operation in the Blacklands region, and a 1,850-acre farm in the Coastal Bend region, fared better in the analysis because they farmed fewer acres. The cotton projections were compiled by Dr. Joe Outlaw, Texas Cooperative Extension policy specialist in the Agricultural and Food Policy Center.

Of the 16 U.S. rice farms represented in the study, all but one operation exceeded a 98 percent chance of maxing out payment limitations under the one-entity payment limitation, according to analyses conducted by Dr. David Anderson, Extension specialist in the policy center.

-more-

Payment Restrictions–Add 1

Richardson, who did the analyses on representative feed grain farms, found they would fare better under the current three-entity payment rule as well. Just one feed grain operation faced a 100 percent chance of exceeding direct payment limitations under the three entity payment rule and a 50.8 percent chance of exceeding counter cyclical payment limitations.

The complete report is available on the AFPC Web site at <http://www.afpc.tamu.edu>.