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STATE LAW REQUIRES farmers to call JULIE before doing some farm-related projects, such as installing field tiles, building waterways, and setting fence posts. 8

FarmWeek

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Two sections Volume 39, No. 42

U.S. back in trade game?

Free (trade) at last! Congress clears FTAs

BY MARTIN ROSS
FarmWeek

Last week, Congress ratified key free trade agreements (FTAs) with South Korea, Colombia, and Panama, ostensibly putting the U.S. back in the trade game on what one Central Illinois soybean grower called a "more level playing field."

In a major bipartisan breakthrough, the Senate and then the House cleared the agreements following prolonged, pitched debate between the White House and lawmakers.

The agreements call for immediate elimination or phased reduction of foreign import tariffs on a variety of U.S. goods, including corn, soybeans, wheat, beef, pork, and related products.

According to Farm Bureau, the FTAs combined represent nearly $2.5 billion in new U.S. ag exports, and Illinois Farm Bureau President Philip Nelson called their passage "a step in the right direction, not only for agriculture, but for the entire economy."

The three FTAs offer "huge opportunities for Illinois ag and manufacturing as well as our service sector to find new markets and new customers," according to Rep. Aaron Schock, a Peoria Republican member of House Ways and Means Committee. His committee moved the agreements for a full House vote following their long-awaited submission by President Obama earlier this month.

The White House projects the three FTAs long-term could generate 250,000 new U.S. jobs — in Schock's view, "exciting news given the tough economic times we're in." The agreements offer potential to add 9,000 American jobs with every billion dollars in increased exports, Nelson suggested.

Because the FTAs require no federal spending, "free trade equals free jobs," Schock said. He also sees FTA passage as a potential opening for other bipartisan and/or regional agreements such as the Trans-Pacific Partnership (TPP), a prospective coalition of major Asian and Western trade interests.

"The United States took a time out from trade for about five or six years, and that's hurt us economically," he told **FarmWeek**. "This is a good first step in the right direction. The natural thing to do now is to look at what the next new markets are.

"We are nowhere near in a position yet to present a new trade agreement, but there are definitely areas of the world — Asia, India — the administration as well as the Ways and Means Committee will be looking at. By us doing nothing, we have cost our country not only jobs but also lost revenue."

Schock noted the U.S. has lost roughly half its Colombian wheat market share to more aggressive countries since the

See **FTAs**, page 4

DUSTY HARVEST

Mike Walden of rural McLean combined soybeans through the dust last week prior to rainfall Wednesday and Thursday. The rain was welcomed in many areas to settle the dust, which had led to several combine fires, and to add a little moisture to the beans (See story on page 7). Walden said his bean yields ranged from 55 to 65 bushels per acre with only 9 percent moisture. He reported corn harvest was 85 percent complete with yields of corn-on-corn of 120 to 130 bushels per acre and corn on soybean ground yielding 160 to 180 bushels per acre. (Photo by Ken Kashian)

USDA projects lower crop yields, prices

BY DANIEL GRANT
FarmWeek

A number of farmers have reported soybean yields this year have been a pleasant surprise.

FarmWeekNow.com
AgriVisor's Dale Durchholz discusses the short-term outlook for wheat and corn prices at FarmWeekNow.com.

But either pre-harvest expectations were low or poor-yielding fields have outweighed the surprisingly good fields, based on the most recent crop production/yield forecast.

USDA last week trimmed its estimate for U.S. corn and soybean production by 1 percent compared to its September projections. U.S. production last week was pegged at 12.43 billion bushels for corn and 3.06 billion bushels (down 8 percent from last year) for soybeans.

"The greater-than-expected bean yields didn't show up in this report," said Jerrod Kitt, director of research for the Linn Group, during a teleconference hosted by the CME Group.

Nationwide, yields were projected to average 148.1 bushels per acre for corn, down 4.7 bushels from last year, and 41.5 bushels per acre for beans, down 2 bushels from a year ago.

That U.S. corn yield would be the lowest since 2005, a year which featured a regional drought in parts of the Midwest, while the soybean yield would be the second-lowest since 2003.

In Illinois, USDA last week lowered average yields by 2 bushels per acre for each crop to current projections of 159 bushels for corn and 46 bushels for beans.

See **Crop**, page 7

USDA lowers crop price estimates
(U.S. season average per bushel price estimates)

	2011/12	Change
Corn	$6.20 - $7.20	↓30¢
Soybeans	$12.15 - $14.15	↓50¢
Wheat	$7.10 - $7.90	↓45¢

Source: USDA October crop report

BY MARTIN ROSS
FarmWeek

Congress, farmers, and economists are sampling and comparing a growing alphabet soup of farm policy options flavored by federal budget pressures.

Over the past few months, the push to arrive at long-term deficit reductions has given rise to the National Corn Growers Association's proposed Agriculture Disaster Assistance Program (ADAP), a similar but more fiscally conservative Senate Aggregate Risk and Revenue Management (ARRM) plan, and the American Soybean Association's

FarmWeekNow.com

Listen to Gary Schnitkey's comments about the ARRM program and how it would work at FarmWeekNow.com.

Risk Management for America's Farmers (RMAF) program.

All three take a revenue-based approach to producer protections, building somewhat on the existing Average Crop Revenue Election (ACRE) program. Both ADAP and ARRM aim to tighten the safety net by moving from ACRE's state-based yield payment trigger to a crop reporting district trigger, while RMAF proposes commodity-specific revenue benchmarks for individual farmers, based on historical yields and prices.

ARRM and ADAP would "work a lot alike," said University of Illinois economist Gary Schnitkey, who last week released a comparison of ARRM and the current farm program {www.farmdocdaily.illinois.edu/2011/10/simulated_arrm_payments_compar.html}. ADAP likely would pay more frequently, but when ARRM pays (see accompanying chart), it would provide higher maximum payments, Schnitkey indicated.

Illinois Corn Growers Association (ICGA) President Jim Reed noted ADAP attempts to lock in existing funds for both ACRE and a portion of current direct payments, while ARRM would "capture" ACRE funds while offering increased deficit savings — a projected $20 billion over 10 years. That's largely "why the ADAP numbers are a little higher" in terms of payout frequency, Reed said.

He nonetheless sees ARRM as "a great step in the right direction" toward proactively protecting the farm safety net.

"It embraces a lot of the concepts and simplifications that were proposed in ADAP," Reed told **FarmWeek**. "It's a really good starting place for the farm bill discussion."

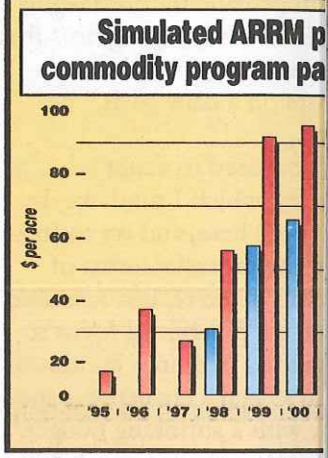
ARRM would eliminate direct and countercyclical payment programs, as well as the now-expired Supplemental Revenue (SURE) standing disaster assistance program.

Schnitkey notes three ke
differences between ADAP
and ARRM:

• ADAP offers 95 percent
coverage of a crop reporting
trict's designate revenue "ben
mark." ARRM would cover o
90 percent. Both ARRM and
ADAP base guarantees on a f
year revenue average, kicking
high and low years.

• ADAP specifies a 10 perc
maximum payment on its rev
enue guarantee, ARRM a max
mum 15 percent. "Here's the
tradeoff: ARRM coverage sta
out 5 percent lower than AD
but it's maximum payment wi
be a bit more," Schnitkey said

• ARRM's annual revenu
guarantee can rise or fall by
only 10 percent year-to-yea
limiting protection in the ev
of extreme revenue volatilit



Seen here is University of Illino
of simulated Aggregate Risk
ments and actual federal com
base 1995-2010 for an repre
votes two-thirds of its acres to
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AG'S DEFICIT DOLLARS?

U.S. House and Senate Ag Committees Friday had reached a tentative agreement to submit $23 billion in cuts over 10 years to the 12-member deficit reduction "super committee."

Congress' Joint Select Committee on Deficit Reduction must recommend a $1.2-trillion deficit reduction package by Thanksgiving. The recommendation will then face a straight up-or-down vote.

"While the exact assumptions behind the $23 billion target are not yet public, we understand the agreement includes total elimination of direct payments and target prices, and a new revenue program that would provide shallow loss assistance," said American Farm Bureau Federation's Mary Kay Thatcher at **FarmWeek**'s Friday deadline.

"We do not believe any reductions will be required in the crop insurance program. Nutrition will be required to take a small reduction in funding," she said.

Working with a net

Beyond the Agriculture Disaster Assistance Program, the Aggregate Risk and Revenue Management plan, and the Risk Management for America's Farmers program, Congress is mulling several other farm safety net proposals.

• Sen. Dick Lugar's (R-Ind.) **Rural Economic Farm and Ranch Sustainability and Hunger (REFRESH) Act** would enable producers to protect against losses between 75 and 90 percent of expected crop revenue, with an option to buy supplemental revenue insurance.

REFRESH would eliminate direct, countercyclical, and Average Crop Revenue Election (ACRE) payments, Supplemental Revenue (SURE) disaster assistance, and marketing loans. The plan also would halt sugar price protections, revamp dairy price supports, close nutrition program eligibility "loopholes," and streamline conservation programs.

Lugar claims REFRESH would cut spending by $40 billion over the next 10 years, but the American Farmland Trust challenges its proposal to consolidate five major conservation easement programs into two.

• Sen. Kent Conrad's (D-N.D.) **Crop Revenue Guarantee Program** takes a "whole-farm" approach, offering payments when total program crop revenue declines below a guarantee. Payment is 60 percent of the difference between guarantee and actual revenue, and the program price guarantee is the higher of a target price or a five-year average farm price disallowing high and low years. Disaster programs would be established for other commodities.

The program would reduce direct payments by 50 percent and eliminate countercyclical payments, ACRE, and SURE.

• **Stacked Income Protection Plan (STAX)**, proposed by the National Cotton Council, would enable cotton growers to buy new add-on coverage under an areawide insurance product with a fixed minimum harvest price. Cotton producers would forego direct,

FTAs

Continued from page 1

Colombia FTA was drafted five years ago. Illinois Soybean Association President Matt Hughes blamed a nearly 60 percent drop in soybean sales largely on a new Canada-Colombia FTA, and sees last week's congressional vote as key to "recapturing" that market share.

Obama endorsed the particularly sensitive South Korea deal a year ago after reaching an accord over automotive trade. But the FTA stalled this summer amid largely partisan debate over linking approval to extension of Trade Adjustment Assistance (TAA) for workers purportedly displaced by trade or offshore job movement.

Ways and Means Chairman Dave Camp (R-Mich.) and Senate Finance Chairman Max Baucus (D-Idaho) reached a compromise reducing the originally proposed cost of TAA extension by a

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