

Budget Issues Continue To Delay Farm Policy

COLUMBIA, MO.

There is a lot of uncertainty about farm policy in Washington, and current budget debates will determine whether there will be a farm bill and what it will look like, said Pat Westhoff, director of the University of Missouri Food and Agricultural Policy Research Institute.

"The sequester that is scheduled to take effect on March 1 will cut many spending programs, and some people have proposed farm programs cuts as well as other programs to try and avoid some parts of the sequester and pay for delaying it," said Westhoff at Ag Unlimited, an annual banquet held by the MU College of Agriculture, Food and Natural Resources.

"Other things that are coming up are appropriations bills for fiscal year 2013 that need to be resolved fairly soon, and the specter of the debt limit will have to be discussed," he said.

The debt limit has been delayed until May, but fiscal year 2013 appropriations have a much shorter time, as the continuing resolution to keep the government running expires after March 27.

"Things are changing by the hour, but it appears that getting a five-year farm bill this year is far from a sure thing," Westhoff said. "There is maybe a one-in-four chance of passing a bill that looks sort of like the bills that were discussed in Congress last year; a one-in-four

chance of passing something that is much more severe in terms of budget cuts affecting agriculture; and maybe a 50-50 chance of simply extending current legislation yet another year."

Westhoff also discussed commodities and suggested that even average weather conditions in 2013 could cause a sharp fall in crop prices. He reminded the audience that current prices are because of how bad last year's crops were.

"If we were to plant the same number of acres of corn as we did in 2012 and we had a trend-line yield, that would give us more than 14 billion bushels of corn produced in 2013," he said. "That would be enough to increase our feed use by 500 million bushels, ethanol by 500 million bushels, exports by 500 million bushels, and still increase the stocks of corn by more than a billion bushels. All of those things only happen if prices are much lower than they are today."

While a more normal crop in 2013 would bring a drop in prices, Westhoff said another year of drought would take prices as high or higher than they are currently.

"I think the market situation will affect the farm policy debate," Westhoff said. "Since I think it is likely that we won't resolve the current debate for several more months, what happens with markets between now and then will probably affect the tenor of the debate." Δ

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