Senate Farm Bill gives soybean growers a choice

ST. LOUIS – The passage of a Senate farm bill amendment gives soybean farmers a choice of a $5.02 loan or a $35 per acre payment, says American Soybean Association President George Fluegel. The bill now moves to conference committee and further negotiations.

The Illinois soybean farmer said the compromise came after hours of negotiating with Senate leaders who rejected the ASA $50 per acre "FAIR" proposal as "too expensive," even though it allowed for a reduced soybean loan.

"We told Senate leaders "no deal" when they asked us to accept lower loan rates without payments of at least $50 per acre," explains Fluegel.

"When they wouldn't accept that, we worked out an alternate approach that maintains the $5.02 per bushel loan rate for 1985 for those who want it and a $35 per acre payment for those who want an upfront payment in lieu of price protection. Considering the current budget cutting mood in Washington, this is a good alternative."

Fluegel points out that soybean loans were targeted to be reduced in both the Senate and House bills. The 1986 House-approved farm bill grants the Secretary of Agriculture unrestricted authority to drop the 1986 soybean loan to $4.77 (ASA strongly opposed this). And the Senate farm bill would have allowed 1986 soybean loans to fall to $4.52 if prices this year average below $5.27 per bushel.

"This soybean compromise in the Senate farm bill gives soybean farmers the income support they need while allowing necessary adjustments in soybean market prices," says Fluegel. "For the average soybean farmer, this means about $1 per bushel in addition to what he gets when he sells his crop. And for the farmer who needs a price assurance, it provides continuation of the $5.02 loan."

The soybean portion of the Senate farm bill gives farmers two choices for 1985 soybeans: the $5.02 loan as currently written, or $35.00 per acre ($30 in cash and $5.00 in beans).

For example:

- If a farmer forfeits the right to put 1985-crop soybeans under loan, the farmer will receive $35 per acre ($30 in cash and $5 in beans); or
- If 1985 beans are under loan, farmers have 60 days to decide: a) To repay the loan and take the $35 per acre payment; or b) keep soybeans under loan and receive no payment.

"The real advantage of this program is that it gives farmers a choice," says Fluegel. "It preserves the $5.02 loan rate for the farmer who needs price assurance. Farmers who do not participate in the loan program are assured a $35 per acre payment.

"This program will support farmer selling at more competitive price levels and stimulate U.S. soybean exports. Competitive pricing will put pressure on foreign soybean producers to reduce soybean plantings. Provisions for a floating loan level in the future will restore elasticity to the soybean market. This will eliminate huge forfeitures of soybeans to the CCC which depresses prices."

LOAN VS NON-LOAN ANALYSIS

The following table illustrates minimum cash price necessary to net price equal to $5.02 support price for a non-loan participant who takes $35 per acre payment.

Yield (bu/ac)	Loan	$35/Ac Pmt.	Break Even Cash price
25	$5.02	$1.40	$3.62
35	5.02	1.00	4.02
45	5.02	.78	4.24

In this example, a 35 bu/ac farmer who sells beans for anything over $4.02 will make more than had he put beans under loan and forfeited his crop to the CCC.