

**Analysis of House Farm Bill
(FARRM Act of 2012) on
U.S. Rice, 2013-2017¹**

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July 30, 2012

The current U.S. Farm Bill expires September 30, 2012. Both the Senate and House have produced 2012 farm bill proposals. The Senate bill has passed the full Senate and is waiting for conference to reconcile with the House version. The House bill has passed out of committee but is awaiting consideration by the full House. With respect to rice, farm level analysis has shown that the Senate bill provides little or no safety net support for the rice sector. The CBO has estimated that relative to their March 2012 baseline that funding to the rice sector will be reduced by 70% over the 2013-2022 period. As a result, it is reasonable that given the relatively large cut to rice relative to other farm commodities that U.S. rice production may be expected to decline. FAPRI analysis however shows surprisingly that the Senate bill would have little or no effect on the current baseline production projections for the U.S. rice sector. Preliminary estimates by FAPRI-Missouri indicate that the rice sector is much better off in the House version. Hence, the analysis of this brief focuses on the impact the Price Loss Coverage program on U.S. rice of the House version called Federal Agriculture Reform and Risk Management (FARRM) Act of 2012 (H.R. 6083).

Results show that under the FARRM Act and based on the baseline price projections as of July 2012, U.S. rice will potentially receive Price Loss Coverage (PLC) payments amounting to \$64 million in 2013 and up to \$253 million in 2017. This is equivalent to a weighted average of \$23 per harvested acre in 2013 and \$81 per acre in 2017; or 32 cents per cwt in 2013 and \$1.11 per cwt. in 2017. The additional income will generate a supply response, with total U.S. rice acreage increasing by 22 thousand acres in 2013 and 224 thousand acres in 2017. The season average farm price declines slightly in 2013 and declines by 34 cents per cwt. in 2017.

Long grain rice will receive PLC payments as projected prices are lower than the reference price of \$14 per hundredweight, while medium grain rice will not receive any PLC payment as its price remains higher than the reference price over the same period. Thus, the supply impact of the House Farm Bill is concentrated on long grain rice. It is important to note, however, that direct payments will be eliminated under the same bill and that the potential total PLC payments are not quite enough to compensate for the loss in total direct payments which amount to nearly half a billion dollars a year.

Stochastic analysis using yield variability is done to determine the range of possible outcomes (confidence intervals), in addition to the deterministic analysis which generates only average point estimates. Stochastic estimates are useful since actual market outcomes deviate from average estimates. The charts the back page present the results for selected variables. Each chart includes four values: the baseline projection, the stochastic mean of the FARRM Act impact, the 10th percentile, and the 90th percentile, range of possible outcomes.

¹ This analysis is based on results generated from the Arkansas Global Rice Model (AGRM) Wailes and Chavez (2011) at <http://ageconsearch.umn.edu/handle/102650>.

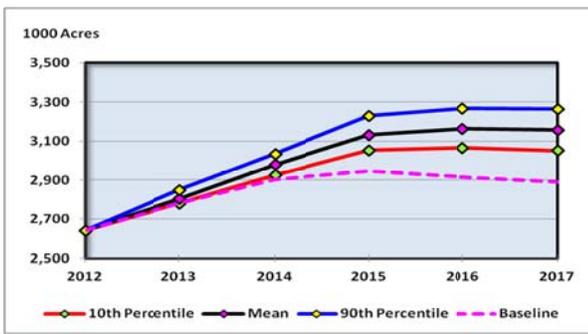


Fig.1. U.S. Rice Total Harvested Area, in 1000 Acres, 2013-17

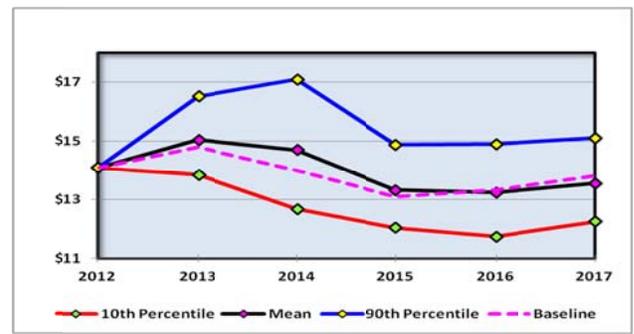


Fig.5. U.S. Rice Season Average Farm Price, \$/Cwt, 2013-17

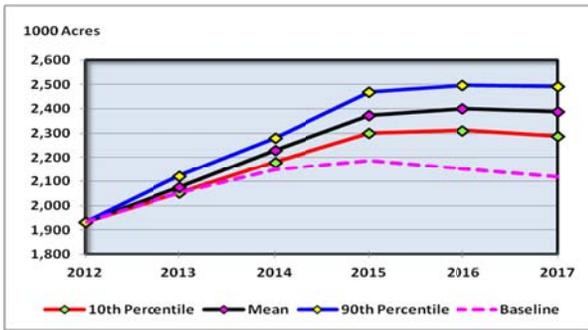


Fig.2. U.S. Rice Long Grain Harvested Area, in 1000 Acres, 2013-17

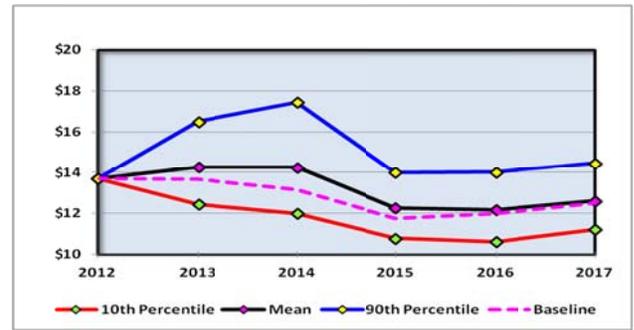


Fig.6. U.S. Rice Long Grain Season Average Farm Price, \$/Cwt, 2013-17

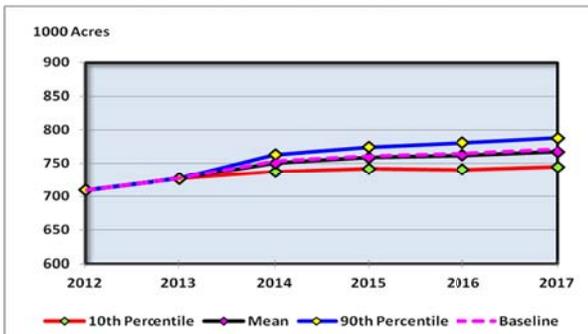


Fig.3. U.S. Rice Medium and Short Grain Harvested Area, in 1000 Acres, 2013-17

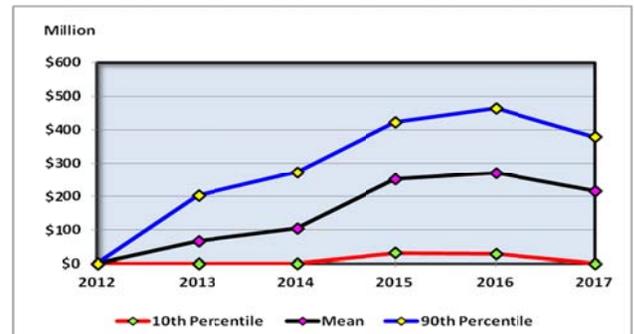


Fig.7. U.S. Rice Total PLC Payments, in Million Dollars, 2013-17

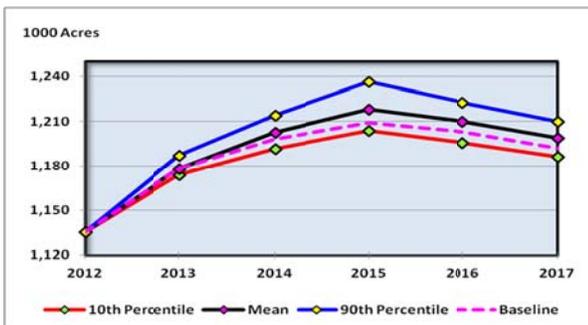


Fig.4. Arkansas Rice Long Grain Harvested Area, in 1000 Acres, 2013-17

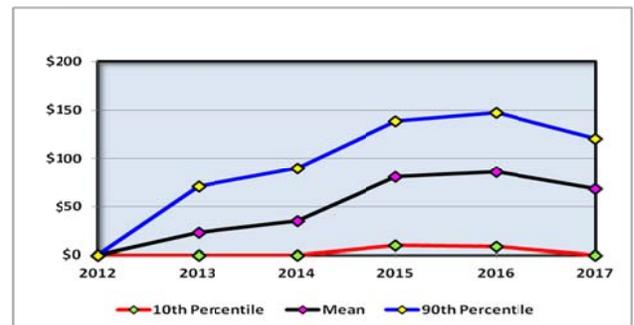


Fig.8. U.S. Rice Average PLC Payments, in Dollars per Acre, 2013-17