Whither Farm Policy?, cont. from page 3

more money to agriculture when widespread crop or revenue loss occurs, the size of the checks could depend inversely on the level of market prices or revenue levels in a region (state or county).

At the county level, such programs already exist. For example, the Group Risk Plan (GRP) and Group Risk Income Protection (GRIP) pay farmers indemnities if county average yield or county average revenue is below a certain level. Because the payments depend on county yield, a single farmer's actions cannot affect the level of payment. The government could give every farmer a GRP or GRIP policy. If farmers want to add individualized risk management protection, then they could pay the full cost of a business-interruption insurance plan, much like other businesses do.

The key factor in a flexible and competitive agricultural sector is that farm-level production decisions need to be reflected in farm income. Only then will we see midwestern farmers producing the crops that consumers want, at prices that cover the cost of production.

Clearly, the debate about what to do about farm policy is very much alive. But what we need to focus on is the ultimate objective of farm policy and the costs of implementing policies to meet this objective. We should build on what we have learned from our experience with the old supply-control programs, the various environmental provisions, and with Freedom to Farm to design a policy that does not hinder agriculture's ability to respond to current and future economic realities. ♦

SELL OR STORE?

CARD's Web-based decision aid is now available

The Center for Agricultural and Rural Development (CARD) recently launched an interactive Web site (**www.card.iastate.edu**) to help farmers understand the risks and rewards associated with alternative marketing strategies for corn and soybeans.

Producers in the contiguous 48 states can access the site, input their county name and crop information, and receive county and crop loan rates, posted county prices, and per-bushel loan deficiency payment (LDP) figures. In addition, the site provides information that can help producers decide whether it is better to store or sell their crops at harvest.

The Web site uses sophisticated numerical procedures to calculate average returns and the riskiness of returns for three different strategies that involve crop storage. The strategies are (1) take the LDP now and store until summer, (2) put the crop under loan and store until summer, and (3) take the LDP now, store until summer, and hedge on the futures market.

"Last year many farmers did not fully understand how to incorporate the LDP and the government's loan program into their fall marketing strategies," Bruce Babcock, director of CARD, says. "Many producers ended up taking the LDP in the fall and storing their crop, instead of selling it at harvest. These producers then watched the value of their stored crop decline as prices plummeted in the late spring and early summer. Our new Web-based decision aid is designed to inform producers of the potential risks and rewards associated with common marketing strategies that involve storage. They can then be in a better position to decide if the potential rewards from storing the crop are high enough to compensate them for the increased risk."