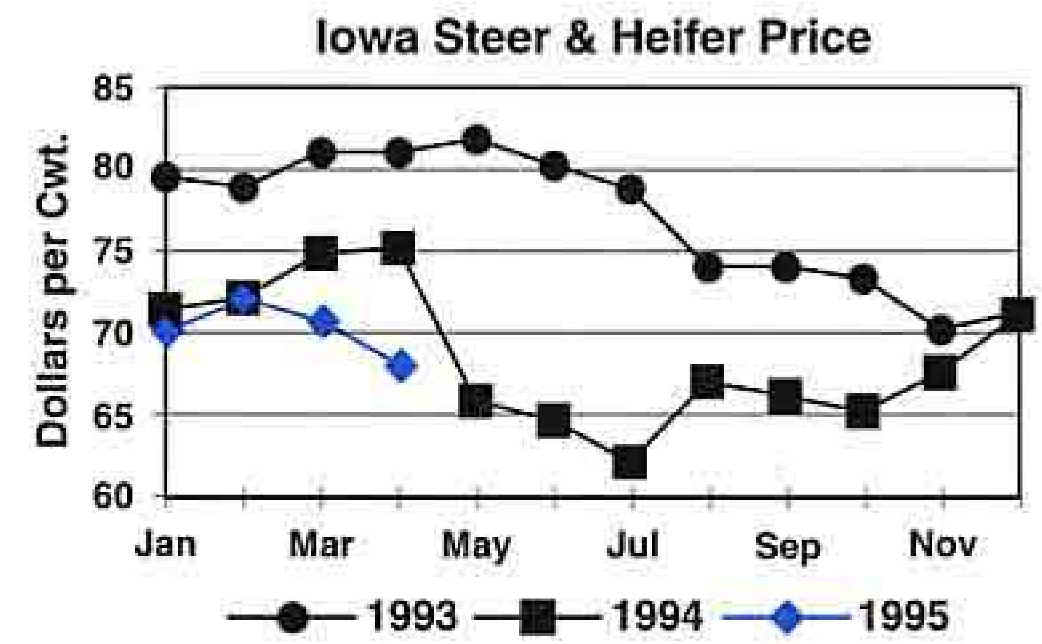
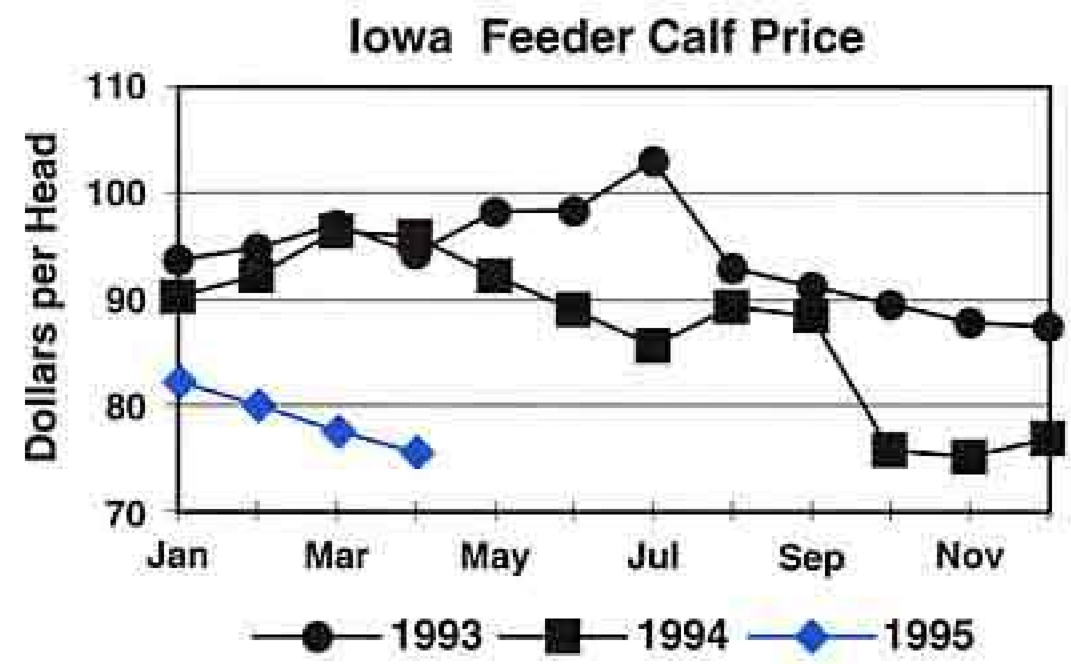
responses, and the initial breeding herd figure must therefore be taken as a statement of intentions only.

The March *Hogs and Pigs* report showed a decline in Iowa's breeding herd inventory of 50,000 head from one quarter earlier, leaving it at 1.45 million head. The inventory numbers across the United States indicate that the liquidation phase of the current hog cycle may be slowing.

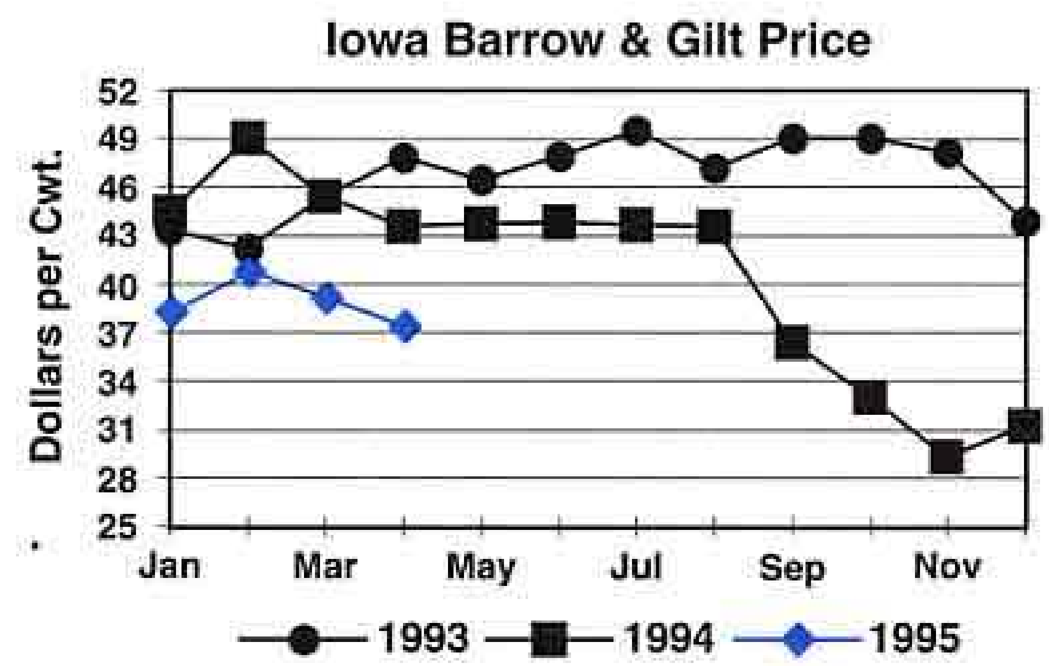




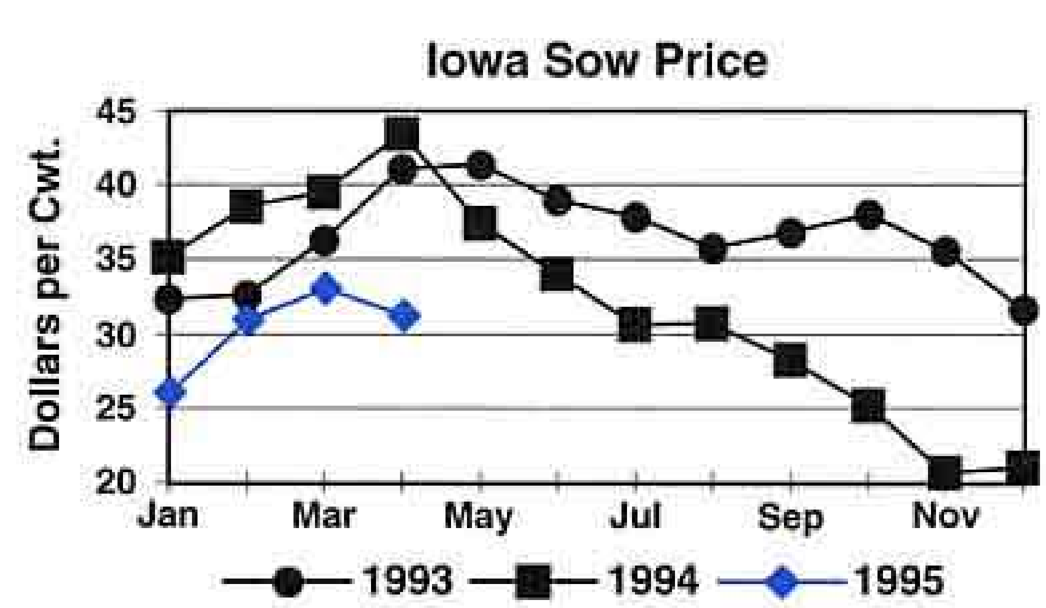
Budget Cut Proposals

(William H. Meyers, 515/294-1184)
(Darnell B. Smith, 515/294-1184)

The U.S. House and Senate have now made specific proposals for budget cuts that are designed to eliminate the federal budget deficit by the year 2002. These proposals still have to go through the process of floor debate, passage by each body, conference between the two bodies, passage of the conference report, and approval or veto by President Clinton. A Presidential veto would imply further voting and perhaps further changes to these proposals in the Congress. Although there are numerous opportunities for these figures to change, the initial figures give a strong indication of where things are going.



The original Senate Budget Committee Chairman's mark-up called for cuts of $9.7 billion in agriculture program budget authority (function 350) over the next five years and $14.3 billion over the next seven years. Of these amounts, $7.98 billion and $11.78 billion, respectively, come under the jurisdiction of the Senate Committee on Agriculture, Nutrition, and Forestry. The main programs covered by Function 350 are commodity programs, the export enhancement program, the market promotion program, GSM credits, and crop insurance. The CRP is in a separate category and may escape further cuts, since it is already assumed in the Congressional Budget Office (CBO) baseline to be cut nearly in half.



Senator Grassley led the fight for a successful "sense of the Senate" resolution in the Budget Committee that limits the Function 350 cuts under the agriculture committee jurisdiction to $5.595 billion over the five-year period. Following this path would require that $2.385 billion more be cut elsewhere, such as food, nutrition, and conservation programs and research. This resolution is not binding but may indicate support on the committee for limiting agriculture cuts.

The House called for cuts of $9 billion over five years and $17 billion over seven years in roughly the same

Average Farm Prices Received By Iowa Farmers

	Mar 1995	Feb 1995	Mar 1994
		$/Bushel	
Corn	2.21	2.13	2.68
Soybeans	5.41	5.25	6.65
Oats	1.50	1.42	1.59
		$/Ton	
Alfalfa	84.00	83.00	100.00
All Hay	81.00	80.00	96.00
		$/Cwt.	
Steers & Heifers	70.70	72.00	74.80
Feeder Calves	77.40	79.80	96.30
Cows	40.70	42.10	0.00
Barrows & Gilts	39.10	40.70	45.40
Sows	33.00	30.90	39.50
Sheep	26.40	34.90	29.60
Lambs	73.20	67.20	58.00
		$/Lb	
Turkeys	0.38	0.37	0.00
		$/Dozen	
Eggs	0.37	0.35	0.00
		$/Cwt.	
All Milk	12.40	12.20	13.10
		$/Head	
Milk Cows	NA	NA	NA

Iowa Farm Income Indicators

	1994	1993	1992
		Million Dollars	
Crop Cash Receipts			
Jan - Dec Total	5,034	4,174	4,810
Livestock Cash Receipts			
Jan - Dec Total	5,105	5,829	5,600

set of programs. The House needs to make larger cuts in general, because of the tax cuts that were part of their package. If the size of the tax cuts is limited by Senate objections, cuts in agriculture programs would likely be closer to the Senate figures.

It seems quite likely that the budget for agriculture programs will be cut by $6 billion to $8 billion over the next five years, and there may also be an effort to put a cap on spending in any one year.

CARD/FAPRI Analysis

Three Corners: FAPRI Examination of Farm Bill Alternatives

(Continued from page 1)

loan rates, export enhancement, and dairy price supports, as well as many speciality programs such as for cottonseed oil and sunflower. It also eliminates Acreage Reduction Programs (ARP) and the 0-50/85 program.

2. Marketing Loan Program. Under this option, target prices, loan rates, ARPs, and 0-50/85 would disappear and be replaced by a system of recourse marketing loans, with loan rates set in proportion to each other. Soybeans would be added to the commodity programs. Export Enhancement is eliminated, but dairy and other speciality programs are retained.

3. Revenue Assurance. This alternative would do away with target prices, marketing loans, ARPs, and 0-50/85. Instead, producers would be ensured of receiving 70 percent of revenue, based on a five-year moving average of county price times a producer's five-year average yield. In addition, transition payments would start at 80 percent of historic deficiency payments in 1996 and decline to zero percent by the year 2000. Export enhancement, dairy, and other speciality programs are retained. In all scenarios, the Conservation Reserve Program is assumed to decline to the 17 million-acre level projected by the Congressional Budget Office, while none of the scenarios incorporate annual ARPs.

Across the scenarios, the safety net configuration, especially in terms of income enhancement and risk sharing, shows considerable variation. Other than crop insurance, the safety net is completely gone in the no-program scenario. The marketing loan option provides some reduction of price risk, and enhancement of income, but has basically the same budget outlays as current programs. Revenue assurance offers significant reduction of cash flow risk for producers and provides substantial budgetary savings, but reduces the level of government support for producers by eliminating the direct income transfer aspect of current programs (i.e., deficiency and loan deficiency payments would be eliminated).

Comparison of Scenarios and FAPRI Baseline

When compared to the 1995 FAPRI baseline, the estimated effects on selected variables, as illustrated in the included table, show significant early variation