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A Possible Trade-off?

With these potential property damages in mind, would a policy that gives existing homeowners the right to be free of damage from livestock operations put a stop to all facility construction? Our results suggest that there may be significant room for beneficial trade between livestock farmers and homeowners.

Suppose that a farmer wants to locate a site a half mile upwind from two residences valued at $100,000 each and that there are no other facilities located in the area. The farmer is a good neighbor and promises to manage the operation to minimize odor, flies, and the risk of a manure spill. But the realties of livestock production in this case impinge on the owners of the residences. Given the right to be free of any effect from livestock operations, the homeowners would be able to block construction of the facility. But suppose the farmer offers each homeowner a one-time payment of $10,000 (10 percent of the value of the home) as compensation for any potential damages. The homeowners might well choose to take the money and live with the livestock. The farmer would then be able to construct the facility at the chosen site, at a modest increase in construction costs. And the state of Iowa would get the benefits of attracting a competitive industry.

Exact rules and legal obligations would have to be worked out before any compensation program could be implemented. However, given the current stalemate, whereby homeowners feel powerless to affect land use decisions and livestock producers feel that their investments are not welcome in the state, the payoff from such voluntary agreements could be large.

Direct and Counter Cyclical Farm Program Payments

by William Edward, extension economist, 515-294-6161, wedwards@iastate.ed and Bob Wisner, extension economist, Department of Economics, 515-294-6310, rwwisner@iastate.edu

As farmers plan their credit line activities for the rest of the year and beyond, they need to factor in the direct and counter cyclical program payments that they can expect to receive from the USDA.

Direct Payments

Direct payments are fixed, regardless of year-to-year variations in acres, yields and prices. Producers who elected to receive the maximum first-half payment for the 2003 crop received a check a few weeks after they completed sign-up for the Farm Security and Rural Investment Act of 2002. An identical

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Table 1. Estimated National Average Corn and Soybean Prices (Sept. - July).

	Corn		Soybeans	
Month	Price	Est. % Marketed	Price	Est. % Marketed
September	$2.47	8%	$5.39	8.5%
October	2.34	11	5.19	20.9
November	2.27	12.7	5.46	9.4
December	2.32	7	5.46	8.1
January	2.33	12.5	5.52	15.5
February	2.34	6	5.55	6.6
March	2.33	6.2	5.60	8
April	2.34	6	5.82	5.1
May	2.38	6.3	6.07	4.2
June	2.34	7.5	6.09	4.6
July	2.09	8.8	5.84	5.1
August		8		4
Simple Avg. Price*	$2.35		$5.62	
Est. Weighted Ave. Price*	2.32		5.52	
Est. Percent Marketed*		92%		96%

*Approximate simple and weighted national average prices and percent marketed (Sept. through July)

Direct and Counter Cyclical Farm Program Payments, continued from page 3

amount is scheduled to be paid in October, as the second half of the 2003 crop direct payment. Furthermore, the first installment of the 2004 crop direct payment will be received in December, again for the same dollars as the 2003 payments.

Counter Cyclical Payments

Counter cyclical payments (CCP) are less predictable. They depend on the national season average price for each crop. For corn and soybeans this price is the weighted average cash price paid from September through August. Soybean prices for the 2002 crop have been high enough that there will be no counter cyclical payment made. It is possible but not likely that there will be a small payment for corn.

If the USDA projects a season average market price below $2.32 for corn or below $5.36 for soybeans for next year's (2003) crop, an advance counter-cyclical payment may be made. Up to 35 percent of the expected counter-cyclical payments will be paid in October and again in February, with the balance payable next September.

Loan Deficiency Payments

Loan deficiency payments were not available for the 2002 crop. It remains to be seen if they will be available for the 2003 crop. Any time that the posted county price in a county is below the county loan rate, a loan deficiency payment or marketing loan can be requested on bushels that have been harvested but not sold.

Monthly corn and soybean prices, along with estimates of the percentage of the crop that is marketed each month, is presented in Table. 1. Estimates of the simple average and monthly average prices so far this year are shown at the bottom.

For the 2002 corn and soybean crops, USDA price projections through July 2003 indicate that marketing year average prices will be above the level that will generate CCPs as shown in Table 2.

Table 2. Possible CCPs for 2002 Crop Corn and Soybean

	Corn	Soybean
Breakeven Price	$2.32	$5.36
Simple Avg. Price*	2.35	5.62
Possible CCP	0	0
Est. Weighted Avg. Pr.*	2.32	5.52
Possible CCP	0	0

*Approximate simple and weighted national average prices (Sept. through July)

Cash Renting After Death: A Problem for Installment Payment of Federal Estate Tax? *

by Neil E. Harl, Charles F. Curtiss Distinguished Professor in Agriculture and professor of Economics

Ordinarily, land that is cash rented after death which is subject to an election to pay federal estate tax in installments is considered "distributed, sold, exchanged, or otherwise disposed of" and the deferred tax is accelerated if the value of assets involved (plus all previous distributions, sales or disposition of assets after death) equals 50 percent or more of the date-of-death value of the interest in a closely-held business which qualified for installment payment. However, a recent private letter ruling has allowed cash renting of farmland after death without acceleration being triggered.

General rule on cash renting

The rule is well established that assets which are cash rented after death cease to be an "interest in a closely-held business" which is necessary in order to maintain continuing eligibility for installment payment of federal estate tax and to avoid acceleration. Indeed, a 1983 private letter ruling specifically so held. It has generally been thought that, to avoid acceleration, it was necessary for the lessor of the asset or assets to be bearing the risks of

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