National Forum for Agriculture Climate Change Conference

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U.S. slaughter mix. With these events, barrow and gilt prices have recovered to the mid-$20 per hundredweight range on the Iowa-southern Minnesota market, which is still well below breakeven for Iowa’s producers. All the pork slaughtered from November to January had to find a home somewhere, and it appears that enough ended up in cold storage to significantly increase stocks. The USDA’s Cold Storage report for February indicated pork stocks were 16 percent above last year’s levels and stocks of frozen bellies were 48 percent greater. Prices are not expected to move out of the mid-$20 per hundredweight range by much until some of the supplies in storage are depleted. The March Hogs and Pigs report reported U.S. inventory down 4 percent from December. Breeding inventory was also down, 2 percent from December and 6 percent from year-ago levels. Iowa’s breeding herd was down 6 percent from last year’s numbers, but market hog numbers increased 5 percent. These numbers indicate that price recovery should continue into the summer months.

Feeder calves have led a price recovery in the cattle sector. This was due to greater demand as feedlots tried to fill open pen space. This resulted in fairly large placements in feed yards with 1,000 head or more, in Iowa and the United States. The March Cattle on Feed report had Iowa’s February placements at 46,000 head, 70 percent greater than February 1998 levels, and February placements in the historic seven states were 20 percent greater than a year ago. The Cattle on Feed number was slightly above year-ago levels. Yard managers seemed to market cattle aggressively during January and February, keeping front-end supplies fairly tight.

The large January and February placement numbers will weigh heavily on the fed cattle market through the seasonal lows this summer. FAPRI projects further declines in breeding inventories through 2001. If yard managers can continue to market fed cattle aggressively and bring slaughter weights down, this would suggest a tightening of cattle supplies that could help push fed cattle prices to the $70 per hundredweight range by the fourth quarter. However, there is a lot of red meat out there that has to find its way to the consumer’s plate.

National Forum for Agriculture Climate Change Conference

by Donna Kain

On March 1 and 2, 1999, the National Forum for Agriculture annual conference took place in the Scheman Building at Iowa State University. This year’s conference, “Climate Change and the Implications for Agriculture and Energy,” focused on the science of global climate change and related policy issues affecting agriculture, the U.S. economy, and the world. Speakers and participants included representatives from the U.S. Department of Energy; the European Parliament; the White House Climate Task Force; the U.S. Senate Committee on Agriculture, Nutrition, and Forestry; the Iowa Utilities Board; MidAmerican Energy Co.; Alliant Energy; Optimum Quality Grains; and several universities.

Conference presentations addressed perspectives on the scientific evidence of climate change; whether and how agriculture, energy industries, and other human activities contribute to climate change; and the plans and goals that the United States and international community are beginning to establish to deal with the problem. Of particular interest to agriculture and agribusiness were discussions of the implications of climate change for plant and animal health, emissions trading, carbon sequestration, and the future of climate change-related policy for agricultural and energy businesses. Stan Johnson, vice-provost for Extension at ISU and conference organizer, said that “the most significant policy issue to affect agriculture and energy in the coming decade may well be the actions and regulations directed toward controlling global climate change.”

The conference as a whole demonstrated that reaching consensus on the nature and effects of, as well as the solutions for, the problems of greenhouse gas emissions and climate change presents a number of challenges. Even when experts across fields agree about the extent and causes of problems created by the use of carbon-based fuels, it is difficult to achieve consensus on specific, appropriate measures by which to control and decrease harmful emissions and their consequences.

As several speakers noted, attempts to reach international accord on emissions control have already led to some differences. For instance, John Ruether of the U.S. Department
of Energy Federal Technology Center said that the 1997 Kyoto Protocol, a plan that sets target levels and timeframes for reducing emissions of principal greenhouse gases, has been criticized for not imposing limits on developing countries and because the plan will not achieve the emissions reduction necessary for stabilizing levels of CO₂.

One of the conference’s keynote speakers was Thomas Spencer, chairman of the European Parliament’s Committee on Foreign Affairs, Security and Defense Policy; president of Global Legislators for a Balanced Environment (GLOBE) International; and vice-president of the Land Use and Food Policy Inter-group (LUFPIG). Spencer expressed concern that the United States has been slow to accept and respond to the issue of global climate change.

Dirk Forrister, chair of the White House Climate Task Force, National Climatic Data Center; and Michael MacCracken, executive director, National Assessment Coordination Office, U.S. Global Research Program, were both on hand to discuss administration policies and initiatives. These include national emissions inventories, technology reviews, goals for emission reductions, and tax incentives and partnerships for energy saving, emissions reductions, and research and development, among others. Several speakers, including Cathy Kling, head of CARD’s Resource and Environmental Policy Division, discussed market-driven mechanisms and incentives including...
Whole-Farm Revenue Insurance for Crop and Livestock Producers

by Bruce A. Babcock and Dermot J. Hayes

The collapse in hog prices in the fall of 1998 has renewed interest in using insurance as a means of providing an affordable safety net to U.S. farmers. One option that has received attention is to expand the U.S. Department of Agriculture’s crop insurance program to include livestock producers. Because the ongoing financial crisis in the hog sector was not caused by production or disease problems, it is apparent that producers could have benefited from either price insurance or revenue insurance.

The creation of a price or revenue insurance program raises a number of practical issues regarding what to insure, how to insure it, and how much the coverage should cost. This article discusses some of the issues raised by an expansion of revenue insurance, and provides an example of a whole-farm insurance product that insures against revenue losses from a farm that raises corn, soybeans, and hogs.

Kevin Herink, a Tama County, Iowa, farmer representing the Iowa Farm Bureau Federation, noted that Iowa farmers have been progressive in their adoption of precision farming and other conservation measures but are concerned about their ability to compete in a global market, where the playing field is not level. Clearly, the climate change debate stands to generate more research, discussion, and controversy.

Information about the conference, along with audio and text of selected presentations and links to related sites, can be found at the CARD website, http://www.ag.iastate.edu/card/about/agforum/agforum99.html.

Since 1990 the National Forum for Agriculture has promoted the discussion of national issues affecting U.S. agriculture. Each year the forum focuses on a particular aspect of agricultural policy, technology, or economics issue—usually a combination of all three. Iowa State University organized the Climate Change conference. Sponsors included the U.S. Department of Energy, the U.S. Environmental Protection Agency, the Greater Des Moines Chamber of Commerce Federation, the Iowa Energy Center, ISU’s colleges of Agriculture, Engineering, and Veterinary Medicine, ISU Extension, and the Center for Agricultural and Rural Development.

LIVESTOCK RISK

All farm operations face two sources of risk that affect gross revenue: output price risk and production or yield risk. In addition, livestock producers are exposed to significant risk arising from changes in the price of inputs such as feed. Until 1996, the only form of insurance provided by the USDA was traditional crop insurance that protects farmers against yield losses. The question arises whether insurance programs should cover both production risk and price risk or just price risk?

Producers generally face less risk in livestock production than in crop production. Livestock are more adaptable to variations in weather than crops, and modern operations attempt to insulate animals against stress caused by adverse weather conditions. Thus, production risk is relatively minor compared to price risk. Figure 1 illustrates the amount of price variability in the U.S. hog market and is an illustration of why it is difficult for a hog farmer to count on a certain price being available five or six months ahead.

Output prices and input costs are the two sources of most of the income risk faced by hog producers. And, variation in input costs particularly affects them. With the run-up in corn and soybean prices that began in the fall of 1995, hog production costs were much greater than anticipated. In these circumstances, an attractive insurance option would protect net revenue, i.e., output revenue less feed costs.

A Whole-Farm Safety Net

One term that occurs frequently in the debate about adding livestock revenue guarantees is the concept of a whole-farm safety net (or farm income safety net). In short, farmers care more about their end-of-year finances than about any of the components (enterprise-specific production levels, output prices, or input costs) that contribute to this year-end position.

From an insurance perspective, the concept makes sense because the fair insurance premiums of a whole-farm policy may be far lower than the