

# THE NATIONAL ASSOCIATION OF WHEAT GROWERS' 2007 FARM BILL PROPOSAL

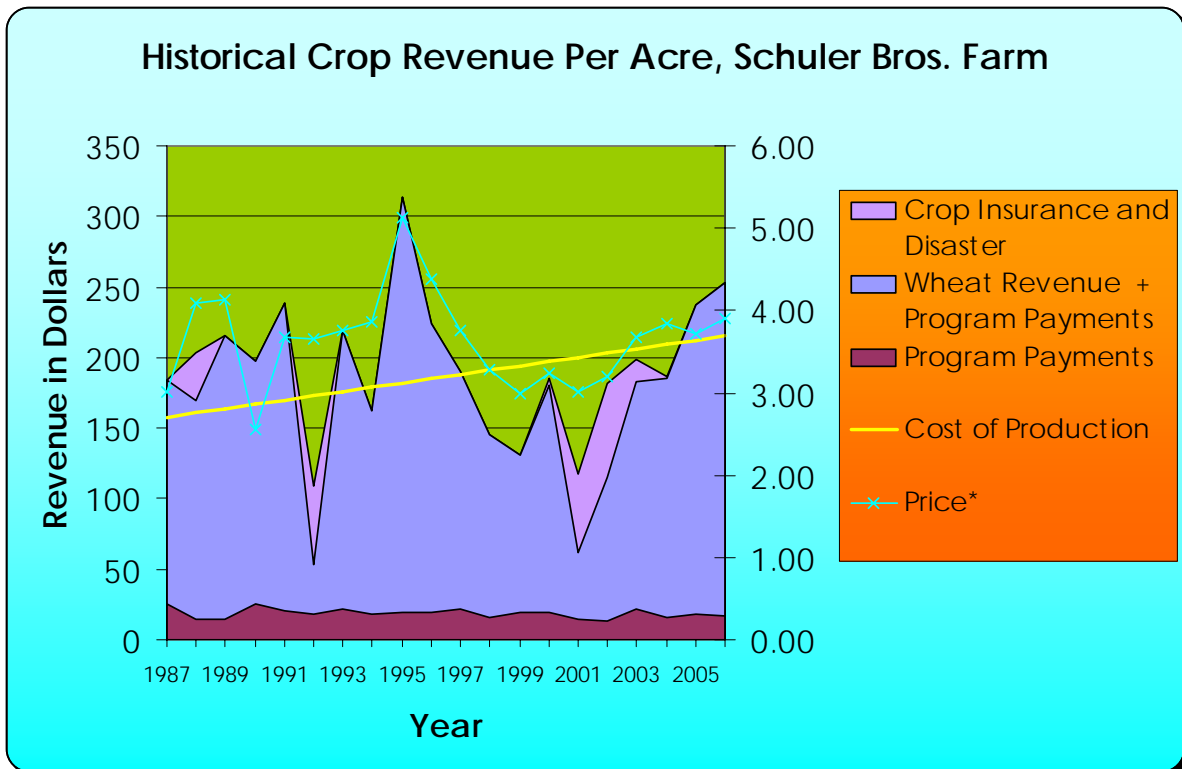
*The National association of Wheat Growers is proposing adjustments to the 2002 Farm Bill to provide wheat growers a \$1.19 direct payment and a \$5.29 target price. NAWG is also proposing payment limit adjustments commensurate with the increased direct payment.*

## WHY FOCUS ON THE DIRECT PAYMENT?

This chart below is economic data from Schuler Bros. Farm near Carter, Mont., run by NAWG Immediate Past President Dale Schuler.

As you can see, this chart shows that wheat revenue did not cover the cost of production during 11 of the past 20 years. The addition of crop insurance, disaster assistance and program payments failed to provide a profit during nine of these 20 years. In addition, notice that cost of production has gone consistently up, even though price has gone up and down over time.

The only consistent entry on this chart is the farm's direct payment. But, at \$0.52/bushel over the term of the 2002 Farm Bill, it hardly makes the difference in profitability or loss.

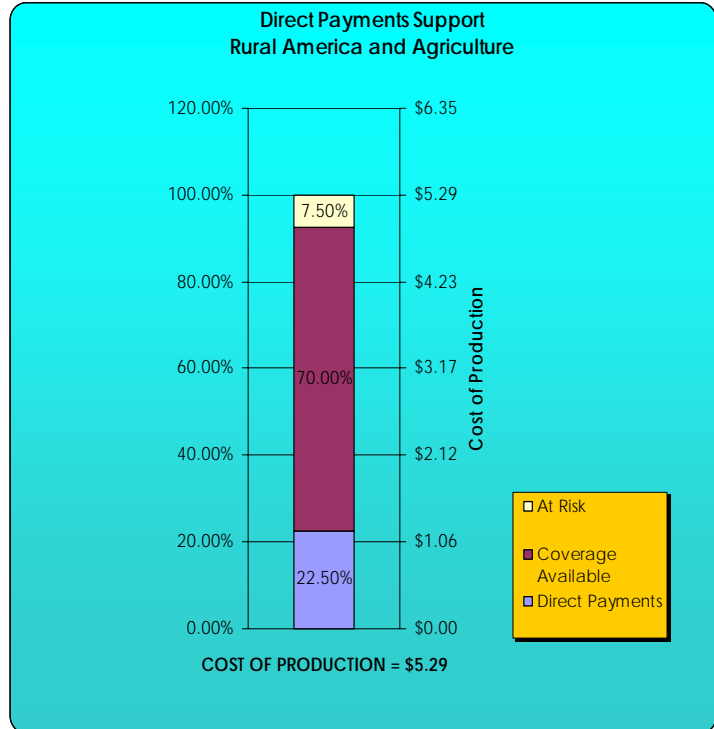


## COVERING ALL OF COST OF PRODUCTION

Wheat growers can typically only cover about 70 percent of their crops before crop insurance costs and coverage converge. As a result, growers typically have a 30 percent risk exposure.

If the target price is the average cost of production, \$5.29 in the case of wheat growers, then the direct payment should be the historic costs that cannot be guaranteed by the market or covered by insurance.

The chart (right) shows a 7.5 percent level of risk in the market (\$0.40), a 70 percent level of crop insurance (\$3.70) and a direct payment filling in the additional 22.5 percent (\$1.19).



## THE NUMBERS BEHIND NAWG's PROPOSAL

Average cost of production for wheat in 2005 and 2006:  
**\$215.79/acre**

Olympic average yield for wheat between 1995 and 2004:  
**40.79 bushels per acre**

Per bushel cost of production:  
**\$5.29 = NAWG Proposed Target Price**

Portion of cost of production that can't be covered by crop insurance and that isn't a risk to the market:  
 $\$5.29 \times 22.5\% =$   
**\$1.19 = NAWG Proposed Direct Payment**

Source: USDA/ERS

## ADVANTAGES OF THE DIRECT PAYMENT

- Direct payments are **predictable** for farm families and farm communities.
- Direct payments are the **only safety net** available in times of **crop loss** or disaster.
- For this reason, the direct payment is the **only farm safety net program** wheat growers have been able to utilize since the enactment of the 2002 Farm Bill.
- The direct payment is **decoupled** from crop production.
- The direct payment is the **least market distorting** program in current farm policy.
- The direct payment is trade-friendly and **WTO-compliant**.

## National Association of Wheat Growers

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[www.wheatworld.org](http://www.wheatworld.org)