



SPECIAL REPORT

Quarterly Washington Outlook December 2008

As 2009 comes into focus, there is a host of change via a new administration and continuing implementation of the 2008 Farm Bill. A new administration has brought a host of new “players” that will be seeking confirmation in the weeks ahead. And, it has also brought the start of 2009 Direct and Counter-cyclical Program (DCP) signup. Plus, the U.S. recession and global downturn keeps these issues atop the heap for the new year.

Here's the key issues we focus on in this update:

- Former Iowa Gov. Tom Vilsack nominated to lead USDA.
- Economic stimulus efforts are gaining steam and growing in size.
- Signup for the 2009 DCP program is underway.
- New rules for payment limits, actively engaged are coming into force.
- Average Crop Revenue Election (ACRE) details still awaited.

Former Iowa Gov. Tom Vilsack (D) tapped to head USDA

January 2009 will bring a new Congress and one of the first things on the agenda for the Senate Ag Committee will be a confirmation hearing for former Iowa Gov. Tom Vilsack (D) to serve as USDA Secretary. Vilsack was named just before Christmas by President-elect Barack Obama to serve in the top post at USDA, one of the final Cabinet selections made.

Vilsack's nomination came after he was labeled a near "shoo-in" by *The Washington Post* in November which was followed up just before Thanksgiving by Vilsack telling the *Des Moines Register* that he wasn't the pick for USDA. That gave way to a host of names being tossed about to lead USDA, but Vilsack's name never disappeared from that list despite his insistence that he wasn't the USDA pick. But after a Dec. 11 interview with Obama, the post was announced as being his.

With Iowa serving a pivotal role for Obama, it's not surprising he would have chosen Vilsack. After all, Iowa gave Obama's presidential hopes an official boost with a win in the Iowa caucuses in January. And, Nov. 4 saw the state back Obama after having backed President Bush just four years before.

The selection of Vilsack marks the third consecutive time that a current or former state governor has been tapped as USDA Secretary — Mike Johanns was governor of Nebraska; Ed Schafer was former North Dakota governor. It also marks the first time an Iowan has been tapped to lead USDA since Henry Wallace 68 years ago.

Why he chose Vilsack. In naming Vilsack his choice to head USDA, Obama said, "As governor of one of our most abundant farm states, he led with vision, promoting biotech to strengthen our farmers in fostering an agricultural economy of the future that not only grows the food we eat, but the energy that we use. Tom understands that the solution to our energy crisis will be found not in oilfields abroad, but in our farm fields here at home."

Obama also pledged USDA will make sure "Washington is looking out for everyone, from the small family farms that are feeding our communities to the large farms that are feeding the world."

PERSPECTIVE: Indications are Vilsack was the choice early on, but it appears the Obama team didn't want this one out until other "higher priority" Cabinet choices were announced. Clearly, Obama is aware of the more-populist wing of his party in the mention of "small family farms," but he also showed he is a realist in recognizing "large farms" that are a productive force in U.S. agriculture. And, Obama still has an eye on renewable fuels, making good on campaign promises to back ethanol and other alternative energy sources.

Vilsack: In his words

From his remarks at the press conference where President-elect Barack Obama announced Vilsack was his choice to run USDA:

Vilsack said USDA must...

"...aggressively promote policies and programs that support sustainable practices, to conserve and preserve our precious natural resources: our land, our water and our forests.

"...work in concert with other federal departments, state and local governments and the private sector to promote American leadership in response to global climate change. And it must place nutrition at the center of all food assistance programs administered by the department. It must be innovative and creative in all its work during a time of economic anxiety and limited resources."

On his view of what a Secretary should do: "America's farmers and ranchers deserve a secretary of Agriculture that respects them for the contribution they make to all of us every day. I hope to be that secretary."

In an interview with Zac Farber, managing editor of the Mac Weekly, the newspaper of Macalester College, Vilsack noted the following when asked if he backed maintaining ethanol subsidies while transitioning to cellulosic ethanol.

"The current system is built on subsidies that are being provided and people have made investments based on rely-

Thomas James Vilsack

- Born December 12, 1950, Pittsburgh, PA
- Bachelor's degree, 1972, from Hamilton College in New York.
- J.D., 1975, from Albany Law School.
- Married Ann Christine "Christie" Bell.
- Two sons: Jesse and Doug.
- Moved to Mt. Pleasant, Iowa, hometown of his wife, and entered law practice with father-in-law.
- Political career largely started after the Mayor of Mt. Pleasant, Iowa, was gunned down by a disgruntled constituent. He was elected mayor in 1987.
- Served in the state senate from 1992-1998.
- Became first Democrat elected governor in 32 years. Served two terms, leaving office in 2006.
- Briefly ran for President, dropping out of the race in 2007.

ing on those subsidies, but it is also clear that there simply will not be enough corn even if we continue to increase productivity of the corn crop. There isn't going to be enough corn to produce the kind of demand that we're going to have for ethanol. So you've got to transition away from corn for cellulosic ethanol, and that's wood chips, that's waste, that's grasses, that's crop residue, it's a series of things that currently have little value but could — if we do it right — have significant value and can help produce a series of jobs, which this economy clearly needs. So as the research gets us to the point where we can produce cellulosic ethanol efficiently and in a cost effective way, what we're going to see is a shifting of those subsidies and that assistance [to cellulosic ethanol]. And then over time, as that industry matures, there will be a need for ratcheting down the subsidies because the market will take over and there will be an opportunity for additional profits from the market the way it ought to be."

On his statements that farm program payments should be converted over to conservation payments:

"I didn't get much of a reaction from farmers because deep down most of them know the system needs to be changed," Vilsack said in a recent interview with *The Washington Post*.

The next levels are key

While many in agriculture focus on who will sit atop USDA, probably more important to U.S. agriculture are the folks that occupy the myriad of posts from Deputy Secretary on down. While the Obama Cabinet team was assembled in record time, the completion of the sub-Cabinet positions will take some time.

Deputy Secretary: The number two post is seen as the official that really runs the day-to-day operations of the sprawling Department of Agriculture. Typically, California has held one of the top three spots at USDA -- Secretary, Deputy Secretary or Undersecretary for Farm and Foreign Agricultural Services.

Undersecretary for Farm and Foreign Agricultural Services: Often times viewed as the “number three” post at USDA, this office has responsibilities for U.S. domestic farm programs and U.S. export-related efforts and agencies. USDA’s website defines this position as helping to “keep America’s farmers and ranchers in business as they face the uncertainties of weather and markets. They deliver commodity, credit, conservation, disaster, and emergency assistance programs that help improve the stability and strength of the agricultural economy.” This remains one of the key agencies relative to managing the resources and the output of U.S. farms and ranches. Key issues include U.S. farm, export programs.

Agencies in this area: Farm Service Agency (FSA); Foreign Ag Service (FAS) and Risk Management Agency (RMA).

Undersecretary for Food Safety: One of the newer undersecretary posts, this role is pretty self explanatory in that it “ensures that the Nation’s commercial supply of meat, poultry, and egg products is safe, wholesome, and properly labeled, and packaged. This mission area also plays a key role in the President’s Council on Food Safety and has been instrumental in coordinating a national food safety strategic plan among various partner agencies including the Department of Health and Human Services and the Environmental Protection Agency.” This position continues to rise in importance relative to its charge of keeping the U.S. food supply safe.

Agencies in this area: Food Safety and Inspection Service (FSIS).

Undersecretary for Marketing and Regulatory Programs: This is one of the other agencies with a fair amount of direct contact with farmers. This area of USDA “facilitates domestic and international marketing of U.S. agricultural products and ensures the health and care of animals and plants. Marketing and Regulatory Program agencies are active participants in setting national and international standards. Key issues include national animal ID, foreign country health issues and disseminating market information on a wide basis.” Also, this area plays a key role in trade negotiations on beef, etc.

Agencies in this area: Agricultural Marketing Service (AMS); Animal and Plant Health Inspection Service (APHIS); Grain Inspection, Packers, and Stockyards Administration (GIPSA).

Undersecretary for Natural Resources and Environment: Another area where there is a considerable amount of direct farmer contact, with a focus on ensuring “the health of the land through sustainable management. Its agencies work to prevent damage to natural resources and the environment, restore the resource base, and promote good land management.” Key issues include conservation programs and managing forest lands of the United States.

Agencies in this area: Forest Service (FS); Natural Resources Conservation Service (NRCS).

Undersecretary for Research, Education and Economics. One of the broader mission areas for USDA which covers a lot of ground, from research to outreach to farmers. It is “dedicated to the creation of a safe, sustainable, competitive U.S. food and fiber system, as well as strong communities, families, and youth through integrated research, analysis, and education.” Agencies in this area can have a significant impact on the markets with data via its statistical arm and economic perspective on U.S. agriculture.

Agencies in this area: Research, Education, and Economics (REE); Agricultural Research Service (ARS); Cooperative State Research, Education, and Extension Service (CSREES); Economic Research Service (ERS); National Agricultural Library (NAL); National Agricultural Statistics Service (NASS).

Undersecretary for Food, Nutrition and Consumer Services: This mission area at USDA works with a focus on interacting with consumers and others that strive to address some of the more challenging issues facing U.S. citizens. This area “works to harness the Nation’s agricultural abundance to end hunger and improve health in the United States. Its agencies administer federal domestic nutrition assistance programs and the Center for Nutrition Policy and Promotion, which links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education.”

Agencies in this area: Center for Nutrition Policy and Promotion (CNPP); Food and Nutrition Service (FNS).

Undersecretary for Rural Development: This area has taken some of several former operations at USDA to meld them into one area. As the name implies, the focus is “committed to helping improve the economy and quality of life in all of rural America by providing financial programs to support essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. Rural Development promotes economic development by providing loans to businesses through banks and community-managed lending pools, while also assisting communities to participate in community empowerment programs.

Agencies in this area: Rural Development.

Other agencies key for U.S. agriculture

While much of agriculture focuses in on who runs USDA, those at other agencies can be just as important – sometimes more important – relative to the fortunes of U.S. agriculture.

Dept. of Energy: Steven Chu, currently director of the Lawrence Berkeley National Laboratory, and a Nobel Prize-winning physicist. The son of Chinese immigrants, he has sponsored research into biofuels and solar energy.

Key issues that impact agriculture: U.S. energy policy, including biofuels.

Those who didn't get the position: Dan Reicher, who runs the Energy and Climate office for the philanthropic arm of Google, and served as assistant secretary of Energy in the Clinton administration, and Carol Browner, who headed up EPA during the Clinton administration. However, she landed a spot in the Obama inner circle.

Our assessment: Coming from academia, he's not well known in policy circles. His views on alternative fuels and biofuels will be key for U.S. agriculture.

Energy 'czar': Carol Browner takes the post officially titled Assistant to the President for Energy and Climate Change. In that role, Obama said she will coordinate energy and climate policy. "Carol understands that our efforts to create jobs, achieve energy security and combat climate change demand integration among different agencies; cooperation between federal, state and local governments; and partnership with the private sector," he stated. "She will be indispensable in implementing an ambitious and complex energy policy."

Our assessment: U.S. agriculture interests won't likely welcome this appointment with open arms after her tenure at EPA.

Environmental Protection Agency (EPA): Lisa P. Jackson, most recently chief of staff for New Jersey Gov. John Corzine (D) and also previously commissioner for the New Jersey Department of Environmental Protection. She formerly worked in the Clinton administration's EPA and is a native of New Orleans and would be the first African-American to lead the agency.

Key issues that impact U.S. agriculture: Air and water regulations have a direct impact along with being the key agency dealing with the Renewable Fuels Standard.

Who didn't get the position: Robert F. Kennedy Jr., head of the Water Keepers.

Our assessment: Jackson isn't as extreme and worrisome for U.S. agriculture as Kennedy would have been. Still, she'll be watched closely for her stance on ag-related issues.

U.S. Trade Representative (USTR): Ron Kirk, former mayor of Dallas, Texas. Kirk, Dallas's first African-American mayor, between 1995 and 2001, promoted Dallas on trips overseas and aggressively noted the benefits of the North American Free Trade Agreement (NAFTA). So he's definitely a free- (or freer-) trade backer.

Obama had earlier offered the USTR position to Rep. Xavier Becerra (D-Calif.), but he wanted to remain in the House and was recently elected vice chairman of the House Democratic Caucus. His concern: Trade would not be given much "weight" in the new administration.

Our assessment: Kirk clearly has the pro-trade credentials that U.S. agriculture wants to see in any USTR. But he'll face a potential challenge on trade issues from the Labor Dept. pick.

Dept. of Labor: Rep. Hilda Solis (D-Calif.), member of the House Energy and Commerce Committee and the House Committee on Natural Resources. But Solis is not a backer of free trade — she opposed the Central American Free Trade Agreement (CAFTA) and helped garner Latino groups to oppose the pact, which passed by a two-vote margin.

Our assessment: Solis' anti-trade stance should be a red flag for U.S. agriculture. Expectations are she'll try to push strong to very strong labor-related provisions to be included in any trade deal negotiated. It will be interesting to see how these two views play out when it comes to key trade issues the next four years.

Dept. of Transportation: Rep. Ray LaHood (R-Ill.), a centrist Republican who held a seat on the House Transportation and Infrastructure Committee from 1994 to 2002. He then moved to the powerful Appropriations Committee in 2002. He was a somewhat surprising choice given that he no longer held a spot on the House transportation panel. But his Illinois roots, support of infrastructure investment, and being a close friend of Rep. Rahm Emanuel (D-Ill.) aligned things for his nomination.

Our assessment: LaHood also served on the House Ag Committee so he does know agriculture and agriculture policy. He would be an ally in the Cabinet for Vilsack at USDA.

Dept. of Commerce: Bill Richardson, currently governor of New Mexico. He served in the House 15 years before being tapped by President Bill Clinton as U.S. Ambassador to the United Nations in 1997, and was named Energy Secretary in 1998. In accepting the nomination, Richardson said he views the Commerce Dept. as key in the "new frontier of energy independence and clean energy jobs, and we will restore our position of respect in the world."

Our assessment: Richardson should be a friend to U.S. agriculture and will bring experience in energy issues and also will play a role in another key issue for U.S. agriculture: immigration.

Health and Human Services: Former Sen. Tom Daschle (D-S.D.) will head up the agency. While HHS doesn't necessarily have a direct impact on agriculture, Daschle will clearly keep rural areas of the country in mind as he works on health care reform issues for the Obama administration.

Our assessment: Having someone as steeped in farm policy will be a plus for U.S. agriculture as it will give Vilsack yet another "friend" in the Cabinet.

Other key positions:

Securities and Exchange Commission (SEC): Mary Schapiro has been tapped to head up the embattled agency which has seen plenty of criticism heaped it upon relative to market regulation — or the lack thereof. Schapiro also knows the Commodity Futures Trading Commission (CFTC) as she headed that regulator during the Clinton administration.

CFTC: Gary Gensler, who served as Treasury Undersecretary 1999 to 2001, and as Assistant Secretary of the Treasury from 1997 to 1999. Most recently he was a senior advisor to Sen. Paul Sarbanes (D-Md.), Chairman of the Senate Banking Committee.

Our assessment: These two will be watched as efforts to bring more regulation of financial and commodity markets take shape in Congress. Their views on whether the two agencies should be merged will likely be sought out during confirmation.

Former USDA chiefs offer advice to the new administration

Obtaining a Cabinet position in any administration is a high-ranking post in government, including the Secretary of Agriculture. In early December, a joint effort between Farm Journal and the Farm Foundation collected seven former secretaries — six in person and one via video — to offer their advice and counsel to the next USDA Secretary and the Obama administration in general.

Participating in person were John Block (Reagan administration, from Jan. 23, 1981 to Feb. 14, 1986), Clayton Yeutter (George H.W. Bush administration, from Feb. 16, 1989 to March 1, 1991), Mike Espy (Clinton administration, from Jan. 22, 1993 to Dec. 31, 1994), Dan Glickman (Clinton administration, March 30, 1995 to Jan. 19, 2001), Ann Veneman (George W. Bush administration, from Jan. 20, 2001 to Jan. 20, 2005) and Mike Johanns (Bush administration, from Jan. 21, 2005 to Sept. 20, 2007). Bob Bergland (Carter administration, Jan. 23, 1977 to Jan. 20, 1981) was unable to attend in person, but did offer his views via video.

What unfolded in the hour-and-a-half event was a display in non-partisanship — something every lawmaker in Washington should practice. They showed no signs of whether they were Republican or Democrat in offering their advice, and also displayed a “human” side despite being former Cabinet officials.

Trade, trade, trade. To a person, these former officials concurred that trade remains critical for this business of U.S. agriculture, especially given the productive capacity of the industry that can't all be used at home. Yeutter said it was critical to keep these trade flows going, especially with the current economic turmoil.

Find out who your friends are. The former chiefs all agreed that for a new Cabinet secretary, they need to know who their “friends” and “enemies” are among other Cabinet officers. Block said that point was driven home to him in his first Cabinet meeting in which he asked President Reagan about lifting the Russia grain embargo, something that was a campaign promise. Block said he nearly had his head “torn off” by some in the Cabinet for asking that question.

He who controls the purse strings. The Office of Management and Budget (OMB) was identified by several of

the former USDA leaders as being a key person in the White House to get to know. That position remains the “1,000-lb. gorilla,” according to Block. Glickman noted that an OMB director can overrule a Cabinet secretary, but when two or three Cabinet secretaries work in concert, they can sometimes outflank OMB.

Advice for the administration. While these officials have served primarily atop USDA, they still have achieved that Cabinet rank. Asked what advice they would offer the incoming Obama administration, these officials thoughtfully offered some of the best advice they doled out all evening:

Block: He called on Obama and his team as they approach running the country to “stay in the middle of the road” and to not be pulled into either the “left” or “right” ditch.

Yeutter: He noted the election of Obama had similarities to that of John F. Kennedy and the excitement he created with young voters, and even to some degree the election of Ronald Reagan. He called on Obama to “inspire the world and the United States.”

Espy: The Obama team should avoid “lobbyist creep” — he quickly added that he didn't think lobbyists were creeps, but said those interests should not have too much say in the new government.

Glickman: Relating to the current economic climate, he said it was important in his view for Obama to get us out of “this economic pessimistic period we're in. Do that, and they'll be heroes for a long time.”

Veneman: She said traveling the globe during the campaign season has her convinced that Obama needs to “look at your role in the world... see how to best play that global leadership role.”

Johanns: He summed it up perhaps most succinctly, simply relating he was asked during his Senate campaign if he could work in a bipartisan fashion if elected. From that, Johanns said, his advice to Obama: “Forget red states. Forget blue states. Forget the states you won or lost. Be the president for all the people.”



Left to right: Mike Johanns, Ann Veneman, Dan Glickman, Mike Espy, Clayton Yeutter and Jack Block.

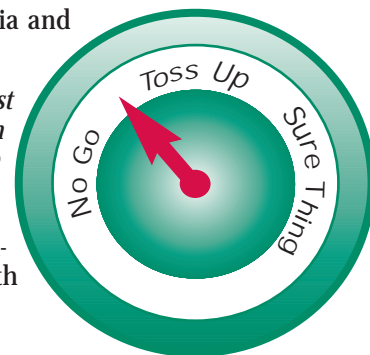
To watch the entire event:

The event was recorded by C-SPAN. You can view it by going to cspanarchives.org and searching for 282668-1. Then click on “Flash Video” on the right side of the page. Plus, *Farm Journal* will be showing the event during two free seminars at the National Farm Machinery Show in February.

Issue: Trade agreements. Legislation to implement trade deals with Panama, Colombia and South Korea are still to be acted upon by Congress.

Current status: It would be a demonstration that he'll be a pro-trade president to move at least one of these trade deals forward. Colombia still has the greatest odds of getting through, although those odds are still relatively low. The South Korea trade deal still holds promise, but the package is even being challenged in South Korea.

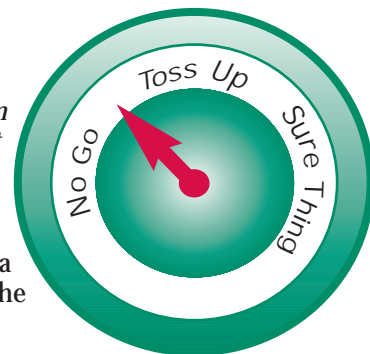
Outlook: The Obama administration will have to decide whether it wants to put any political capital on the line to get these trade packages pushed through. That seems unlikely with many other bigger-ticket items ahead on the priority scale.



Issue: Doha Round of WTO trade talks.

Current status: WTO Director General Pascal Lamy called off a session of trade ministers in December as it became apparent countries weren't willing to give much ground from their current entrenched positions. The political changeover in the U.S. also left some questioning whether any packaged negotiated with the Bush administration would be honored by the new U.S. leadership.

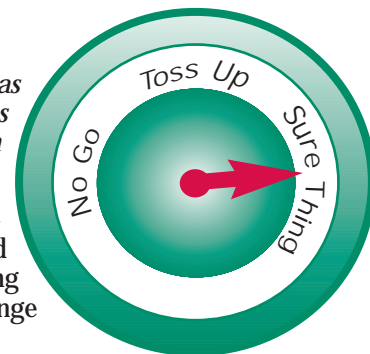
Outlook: The talks continue in slumber mode, a status that will continue until the Obama administration has key officials in place. Then, the talks could find new life as indications are the Obama team could come forward with some fresh ideas to get things moving again.



Issue: Another economic stimulus package.

Current status: As U.S. economic data has continued to worsen, the size of any stimulus plan has grown. Infrastructure spending has been most mentioned in terms of key provisions in any stimulus effort. Much like the package lawmakers quickly put together earlier this year that put money in consumers' hands, plan details are coming together in quick fashion.

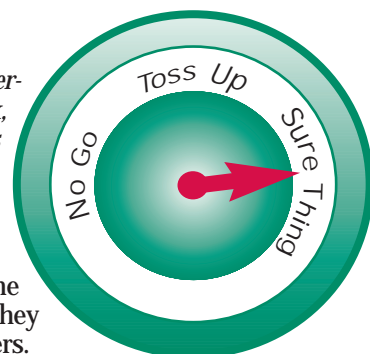
Outlook: Look for the package to be \$650 billion to \$850 billion over two years as lawmakers scramble to try and get the U.S. economy rolling again. This has sent a host of groups and interests scrambling to get their piece of the pie. However, the Obama administration is warning that the matter will not be adorned with lots of goodies and earmarks. That will present a challenge for lawmakers used to loading up must-have legislation.



Issue: Additional regulation in the futures industry.

Current status: A common thread that keeps emerging with lawmakers is that more regulatory oversight is needed, particular for some of the tools that currently are outside the regulatory framework, namely in the area of swaps and derivatives. But that's where the agreement has ended - lawmakers can't decide on a plan. The Commodity Futures Trading Commission (CFTC) has called for more staff so they can more adequately assess what's happening. Another possibility is a merger of the CFTC and Securities & Exchange Commission (SEC). This won't get resolved until later in 2009.

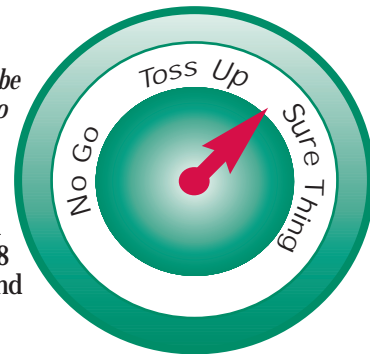
Outlook: As the financial crisis has unfolded, lawmakers have continued their "search for the guilty." The issue of more regulation of markets continues as a common theme with lawmakers as they examine what's happened and try to figure out what caused it. Studies will eventually aid lawmakers.



Issue: Farm program cuts.

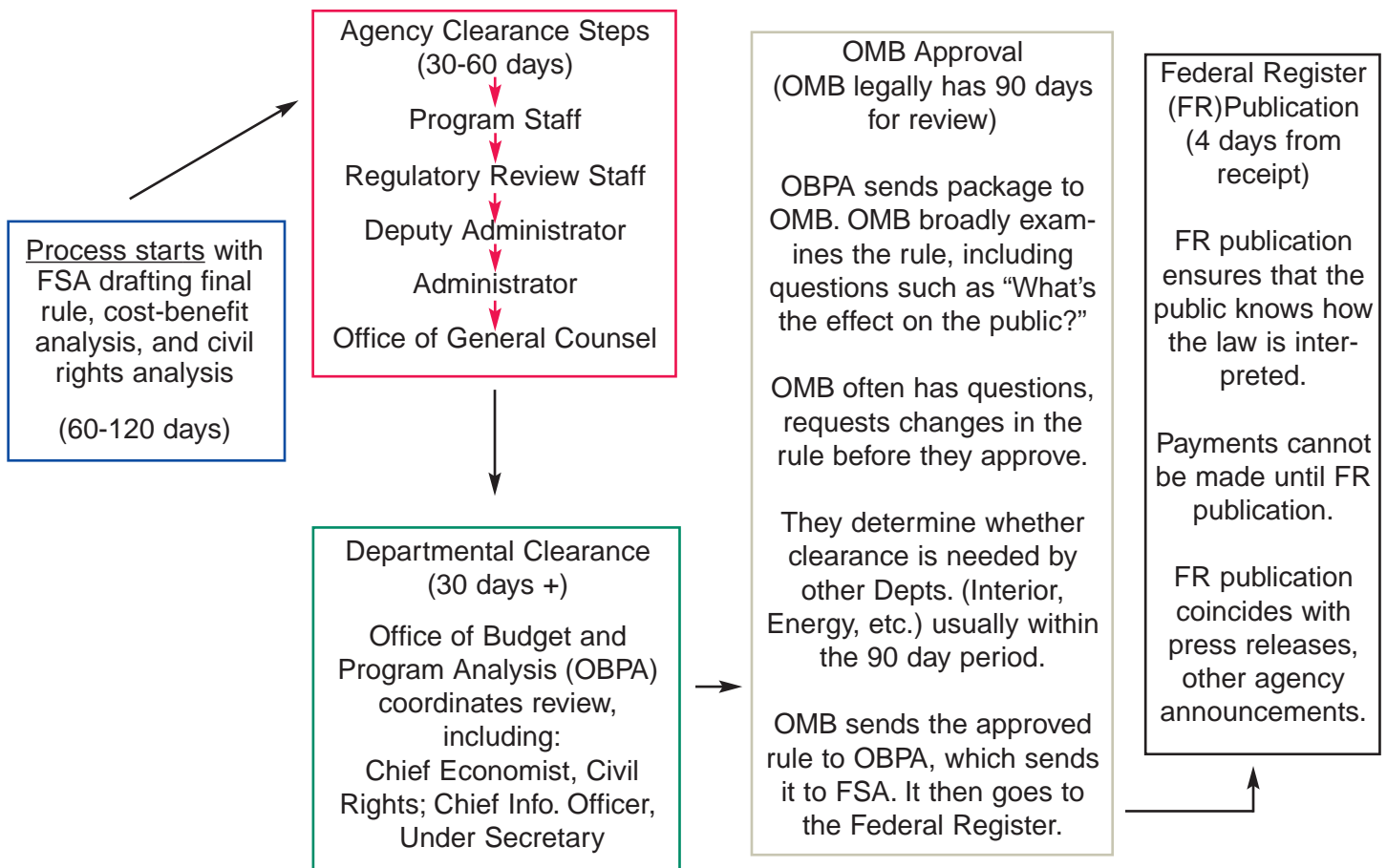
Current status: After lawmakers return in 2009 to begin the new Congress, they will eventually be confronted with trying to reverse this tide of budget red ink. This will put pressure on lawmakers to make cuts even to entitlement programs, including farm programs — but not likely until 2010.

Outlook: The fiscal year (FY) 2008 budget deficit ended at \$454.8 billion, up substantially from the \$161.5 billion in red ink that ended FY 2007. Forecasts are now for a budget shortfall in FY 2009 that could be \$1 trillion or more. Paying interest on the \$9 trillion in national debt tallied \$441 billion. That's equivalent to what the U.S. government spent for nine agencies during FY 2008 — for USDA, Energy Dept, Education Dept, Health and Human Services, Interior, Homeland Security, Veterans Affairs, the Justice Dept, and the EPA.



Farm bill rule timeline

We ran this flow chart a year ago relative to the timeline involved in taking legislation and converting it into regulation for operating the details of farm programs. But given the seemingly slow pace that things have emerged relative to the 2008 Farm Bill, we thought it was a good reminder to keep things in perspective on how long this process actually takes.



The "minimum" days listed above total about 200, the "maximum" days total closer to 300.

REAL-TIME EXAMPLE: We're just now seeing interim final rules reach the Federal Register relative to details of the farm program for 2009 crop years and beyond. The bill was signed in June and regs are just now flowing out relative to changes that are required as a result of the 2008 Farm Bill.

Adjusted Gross Income (AGI)

There are three average AGI limitations relative to commodity, price support, disaster, and conservation programs that are in effect for 2009 and beyond.

Average adjusted gross farm income: Average of adjusted gross farm income over the previous three taxable years.

Average adjusted gross nonfarm income: Difference between average AGI and average adjusted gross farm income.

- If nonfarm income exceeds \$500,000, then the person or entity is ineligible for all commodity, price support, and disaster assistance program benefits.

NOTE: Even if nonfarm income exceeds \$500,000, you would be able to obtain marketing assistance loans, but they must be repaid at principal plus interest, or via commodity certificates.

- If average adjusted gross farm income exceeds \$750,000, then the producer is ineligible for direct payments under DCP.

- If nonfarm income exceeds \$1 million, you're ineligible for all conservation program benefits, unless 66.66% or more of average AGI was derived from activities related to farming, ranching or forest operations.

Payment eligibility

This is the "actively engaged" issue. USDA's interim final rule states the following still apply for 2009:

Actively engaged requires significant contribution of:

- Capital, land, equipment (or a combination of all three).
- Active person labor or management (or a combination of the two).

Those contributions must also be commensurate with the claimed share and must be at risk of a loss.

For entities, each partner, stockholder or member must make a contribution "of active personal labor and/or active personal management of the farming operation" and that contribution must be significant and commensurate, and must be:

- performed on a regular basis;
- identifiable and documentable;
- separate from the contributions of any other partner, stockholder or member of the operation.

NOTE: If any partner, stockholder or member of the operation fails to meet the requirements, it will result in a reduction in payments equal to the ownership share held by that party.

2009 farm program signup underway

2009 program signup runs through June 1, 2009:

That's the deadline to timely file CCC-509. There are no longer any provisions for "late-filed" signup, so June 1 is a "drop-dead" date. Also, you have to submit "all applicable documents." For those in rental situations, that includes cash leases, etc.

What is a lease:

For 2009 through 2012 crop years, a lease will be considered a cash lease if either of the following apply:

- It has a guaranteed cash payment or fixed quantity of the crop.
- Both a guaranteed amount and a share of the crop or crop proceeds.

For 2009 through 2012 crop years, a lease will be considered a share lease if:

- It contains provisions requiring payment of rent based on the amount produced or proceeds from the crop or the interest the producer would have had if the crop had been produced or if it has some combination of the two.

Direct payments:

They will be paid based on 83.3% of the covered commodity base times program yield times the payment rate times the producer's share of the covered commodity.

Advance payments are available at 22% of the direct payment rate and will be issued following completion of enrollment in the farm program. Payment rates are the same as the 2002 Farm Bill.

Counter-cyclical Program (CCP) payments:

If available, will be paid on 85% of base acres. They are not available for 2009 canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, or sunflower seed. Payments for eligible oilseeds will be determined by the Secretary.

Average Crop Revenue Election (ACRE):

Signup is NOT underway, but will happen sometime in spring. USDA will use 2007 and 2008 season average prices to set the revenue guarantee.

Briefly ...

USDA reorganization on the radar screen

Once the 2008 Farm Bill was complete, House Ag Committee Chairman Collin Peterson (D-Minn.) signaled that USDA reorganization will be one of his priorities. But that may be an ambitious project to tackle. Former USDA Secretary Mike Espy noted that when he took over the top post, he determined that there were too many USDA offices. He signaled his intention in a newspaper article to close a certain office in West Virginia. That prompted a request for a meeting from powerful Sen. Robert Byrd (D-W.Va.). In that meeting, Espy noted, Byrd informed him that the office in question was staffed by a relative. "That county office remains open to this day," Espy said, underscoring the difficulties that can be encountered when trying to "reorganize" USDA.

Former USDA Secretary Clayton Yeutter predicts what will most likely happen will be a "shifting of the boxes" at USDA, but probably no major change in the overall structure at the Department of Agriculture.

What we expect is that Peterson will not get all the changes he wants at USDA. But indications are he will get some major changes at the Risk Management Agency (RMA) and potentially others. Also, we expect Congress will okay funds needed to get the various computer systems across USDA to "talk" to each other.

BOTTOM LINE: Change in USDA structure and operation is coming, but not at the pace that most expect.

Congressional update

- Rep. Frank Lucas (R-Okla.) will take over the top Republican post on the panel as Rep. Bob Goodlatte (R-Va.) reached the limit of time he can serve as ranking member or chairman — six years. Those rules are Republican only.

- Sen. Saxby Chambliss (R-Ga.) retained his Senate seat via a runoff election held Dec. 2. That should keep him as the ranking Republican on the Senate Ag Committee. The outcome of the election for another panel member — Sen. Norm Coleman (R-Minn.) — remains undecided and it may take into 2009 before the winner is known.

- Both House and Senate committees will be restructured to reflect new Democratic majorities in both chambers. That means there will be fewer Republican seats on most committees and fewer Republican staffers.