

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1334

2001 HOUSE FINANCE AND TAXATION

HB 1334

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1334

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 22, 2001

Tape Number	Side A	Side B	Meter #
1		X	3,344
Committee Clerk Signature <i>Ganeri Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

REP. FRANK KLEIN, Introduced the bill. See attached written testimony together with a copy of farm handouts and tax guides.

MARK SITZ, FARMER AND A LOBBYIST FOR THE NORTH DAKOTA FARMERS

UNION, Testified in support of the bill stating this organization has long been supporters of this exemption in the bill. This bill would help farmers and our members.

REP. CARLSON What do you see as the affect this would have on counties, cities and school district?

MARK SITZ Specifically, I couldn't give you exact numbers. I wouldn't think it would be that much because of the situation the bill speaks to, changing it from net to gross.

REP. CARLSON How many farms is this affecting, where over the years, they have had more income off the farm than on the farm, I am assuming then that the farm will no longer be tax exempt.

MARK SITZ Through the last few sessions, there were some revisions to the law as to how many years the off farm exceeded the net farm income, the legislature added one out of every three years, if that happened. There were some safeguards put in place to protect that very situation. This bill speaks to that situation.

REP. CARLSON Asked Rep. Klein if he had anything to add to the questions which were asked.

REP. KLEIN Relating to the affects to the counties, most of the time, the counties shouldn't have collected this money in the first place. This was legitimate farm land, and they were coming out and assessing it the other way.

REP. CARLSON The benefactors of these tax dollars are the counties, the schools, and the areas at this very time, are telling us that they are short of money. We have to look at that side of it as well.

REP. WINRICH You mentioned in your testimony, the revision of the forty thousand dollar limit to fifty thousand dollars. It states the fifty thousand dollar limit would be adjusted each year to the price index, that won't stay at fifty thousand, it will increase every year.

REP. KLEIN That is true, the reason I put that in there is because, people keep coming every other year and raise it, if we put the consumer price index in, it will take care of everybody coming in here. The other way around this whole thing, is to drop the IRS regulations and

Page 3

House Finance and Taxation Committee

Bill/Resolution Number HB 1334

Hearing Date January 22, 2001

Schedule F. If you file Schedule F, it takes care of the income part of it, and the whole nine yards.

REP. WINRICH Felt it was not clear in the bill, which consumer price index was going to be used. Do you mean the national one computed by the Bureau of Labor Statistics, or the Consumer Price Index for North Dakota?

REP. KLEIN We talked about that and he did relate it would probably be the one that comes out of the school.

REP. CARLSON Stated he didn't remember if in other parts of the code that they actually say the state consumer index or the federal one.

PATTY LEWIS, NORTH DAKOTA FARM BUREAU, Testified in support of the bill. Stating it doesn't take a whole lot of spousal income to get you out of that farm exempt status.

GARY EMTER, DIRECTOR OF TAX EQUALIZATION, MERCER, COUNTY,

Testified in opposition of the bill. He stated he had a simple suggestion, pass a bill that says all residential property outside of city limits or rural subdivisions are exempt. Because if this bill passes here today, that is what will happen.

DENNIS BROCKMAN, BURLEIGH COUNTY ASSESSOR Testified in opposition of the bill. In Burleigh County, outside of a subdivision, you have to have forty acres to build a residential home. On some of these forty acre tracts, I have pole barns and people raising livestock. They are filling out a Schedule F, and they really aren't true farmers. If you put this in to fill out a Schedule F to be exempt, I would lose quite a few residential homes that need to be on the tax rolls.

Page 4

House Finance and Taxation Committee

Bill/Resolution Number HB 1334

Hearing Date January 22, 2001

REP. CARLSON What effect would moving from the net income to the gross income have on those forty acre plots?

DENNIS BROCKMAN I don't think I would lose a lot of homes, moving to gross income.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-6-01 TAPE #1, SIDE B, METER # 4500

REP. CARLSON Reviewed the bill.

REP. RENNER Reviewed the last three sessions with committee members as to what some of the legislation was in relation to this bill.

REP. BRANDENBURG Made a motion for a **DO NOT PASS.**

REP. RENNERFELDT Second the motion. **MOTION CARRIED.**

14 YES 0 NO 1 ABSENT

REP. BRANDENBURG Was given the floor assignment.

FISCAL NOTE STATEMENT

House Bill or Resolution No. 1334

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad
Code Revisor

Date: 2-6-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1334

House FINANCE & TAXATION

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Not Pass

Motion Made By

Rep. Brandenburg

Seconded By

Rep. Rennerfeldt

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes)

14

No

0

Absent

1

Floor Assignment

Rep. Brandenburg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 7, 2001 8:18 a.m.

Module No: HR-22-2550
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1334: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1334 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1334



NORTH DAKOTA HOUSE OF REPRESENTATIVES

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Human Services
Natural Resources

Representative Frank Klein
District 36
4840 104th Avenue SW
Dickinson, ND 58601

TESTIMONY ON HB 1334 PREPARED BY REPRESENTATIVE FRANK KLEIN

CHAIRMAN CARLSON AND MEMBERS OF THE COMMITTEE.

I AM REPRESENTATIVE FRANK KLEIN. I AM AN UNPAID LOBBYIST
FOR THOSE INDIVIDUALS WHO WANT TO SURVIVE ON THE FARM.

IMAGINE MY SURPRISE (AND THAT OF MY NEIGHBORS AND
CONSTITUENTS) THAT THE MAJORITY OF US NO LONGER MEET THE
DEFINITION OF A FARMER!

I AM HERE TODAY TO TESTIFY FOR HB 1334, WHICH RELATES TO THE
FARM RESIDENCE EXEMPTION. DURING MY RESEARCH, I HAVE
DISCOVERED THAT THIS ISSUE HAS SURFACED REGULARLY OVER
THE YEARS. I WANT TO TESTIFY ON BEHALF OF THE FARM COUPLES
WHO, BECAUSE OF LOW COMMODITY PRICES AND HIGH INPUT
COSTS, HAVE BEEN FORCED TO GET OFF-FARM JOBS. THEY NEED

THOSE JOBS TO KEEP THEIR FARMING OPERATION INTACT, AND WE CANNOT AFFORD TO LOSE ANY MORE FARMERS!

THIS BILL CHANGES THE **NET** FARM INCOME TO **GROSS** INCOME. THIS BILL WAS WRITTEN YEARS AGO WHEN MOST FARMS DID NOT HAVE OFF-FARM INCOME. AGAIN, DUE TO THE HIGH INPUT COSTS, A JOB OFF-FARM MAY EASILY EXCEED **NET** FARM INCOME AND NEGATE THE 50% EXEMPTION. I WOULD LIKE TO SEE AN AMENDMENT TO THE \$40,000 LIMIT. THE DOLLAR AMOUNT COULD BE INCREASED TO \$50,000 BECAUSE BOTH SPOUSES ARE WORKING WITH THE IDEA OF SURVIVING IN THE FARMING OPERATION. THE FIGURE OF \$50,000 MAY SEEM HIGH, BUT WHEN YOU CONSIDER MOST HAVE TO DRIVE MANY MILES, WITH TWO SEPARATE VEHICLES BECAUSE OF DIFFERENT WORKING HOURS, I FEEL THIS IS A REASONABLE AMOUNT. THE DOLLAR AMOUNT COULD EVEN BE REMOVED. THE U.S. GOVERNMENT ALREADY KNOWS WHO IS A FARMER.

ACCORDING TO THE INTERNAL REVENUE SERVICE, "YOU ARE IN THE BUSINESS OF FARMING IF YOU CULTIVATE, OPERATE, OR MANAGE A FARM FOR PROFIT, EITHER AS OWNER OR TENANT. A FARM

INCLUDES STOCK, DAIRY, POULTRY, FISH, FRUIT, AND TRUCK FARMS. IT ALSO INCLUDES PLANTATIONS, RANCHER, RANGES, AND ORCHARDS." THIS IS FOUND IN THE PREFACE TO PUBLICATION 225 FARMER'S TAX GUIDE.

THE U.S. DEPARTMENT OF EDUCATION ALSO DIFFERENTIATES BETWEEN THE *FAMILY FARM* AND AN *INVESTMENT FARM*. ACCORDING TO THE FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA), THE VALUE OF A FAMILY FARM IS NOT CONSIDERED WHEN A STUDENT APPLIES FOR FINANCIAL AID. THE FAFSA SPECIFIES, "DO NOT INCLUDE A FARM THAT YOUR PARENTS LIVE ON AND OPERATE." IF THE PARENTS LIVE ON THE FARM, FILE A SCHEDULE F AND CHECK "YES" TO THE QUESTION, "DID YOU *MATERIALLY PARTICIPATE* IN THE OPERATION OF THIS BUSINESS DURING 200_?"

THE INTERNAL REVENUE SERVICE AND THE U.S. DEPARTMENT OF EDUCATION SEEM TO KNOW HOW TO DEFINE A TRUE FARMER. WHY DO WE, IN NORTH DAKOTA, HAVE SO MUCH DIFFICULTY? THE LEGITIMATE FARMERS ARE ALREADY PAYING LAND TAXES OF

\$350-\$600 PER QUARTER, WHICH IS \$1,400 UP TO \$5,000 IN LAND TAXES. THEY ARE PAYING THEIR FAIR SHARE.

ATTACHED IS AN ARTICLE FROM THE BISMARCK TRIBUNE ABOUT A TOUGH YEAR AHEAD FOR FARMERS. I BELIEVE THIS BILL WOULD LEGITIMIZE WHO THE FARMERS ARE AND EXEMPLIFY THE INTENT OF THE ORIGINAL LEGISLATION. I URGE YOUR SUPPORT ON HB 1334 FOR THE FAMILY FARMER.

AS A FISCAL NOTE, THERE WOULD BE NO IMPACT TO THE STATE GENERAL FUND.



Department
of the
Treasury

Internal
Revenue
Service

Publication 225
Cat. No. 11040L

Farmer's Tax Guide

For use in preparing
2000 Returns

Acknowledgment The valuable advice and assistance given us each year by the National Farm Income Tax Extension Committee is gratefully acknowledged.



At the time this publication was being prepared for print, Congress was considering legislation containing provisions that could affect farmers. See Publication 553, *Highlights of 2000 Tax Changes*, for information on whether the legislation was enacted and, if so, the specific items of interest to farmers. Publication 553 will be available on the IRS web site at www.irs.gov in January 2001.



**Get forms and other information
faster and easier by:**

Computer • www.irs.gov or FTP • [ftp.irs.gov](ftp://ftp.irs.gov)
FAX • 703-368-9694 (from your fax machine)

Contents

Introduction	1
Important Changes for 2000	2
Important Changes for 2001	2
Important Reminders	2
Important Dates	3
Chapter	
1. Importance of Good Records	4
2. Filing Requirements and Return Forms	6
3. Accounting Periods and Methods	10
4. Farm Income	14
5. Farm Business Expenses	23
6. Soil and Water Conservation Expenses	32
7. Basis of Assets	34
8. Depreciation, Depletion, and Amortization	39
9. General Business Credit	52
10. Gains and Losses	54
11. Dispositions of Property Used in Farming	63
12. Installment Sales	67
13. Casualties, Thefts, and Condemnations	71
14. Alternative Minimum Tax	76
15. Self-Employment Tax	77
16. Employment Taxes	82
17. Retirement Plans	86
18. Excise Taxes	91
19. Your Rights as a Taxpayer	95
20. Sample Return	96
21. How To Get Tax Help	115
Index	116

Introduction

You are in the business of farming if you cultivate, operate, or manage a farm for profit, either as owner or tenant. A farm includes stock, dairy, poultry, fish, fruit, and truck farms. It also includes plantations, ranches, ranges, and orchards.

This publication explains how the federal tax laws apply to farming. Use this publication as a guide to figure your taxes and complete your farm tax return. If you need more information on a subject, get the specific IRS tax publication covering that subject. We refer to many of these free publications throughout this publication. See chapter 21 for information on ordering these publications.

SCHEDULE F
(Form 1040)

Department of the Treasury
Internal Revenue Service (S)

Profit or Loss From Farming

▶ Attach to Form 1040, Form 1041, Form 1056, or Form 1065-B.

▶ See instructions for Schedule F (Form 1040).

OMB No. 1545-0047

2000

Attachment
Sequence No. 14

Name of proprietor

Social security number (SSN)

A Principal product. Describe in one or two words your principal crop or activity for the current tax year.

B Enter code from Part IV

D Employer ID number (EIN), if any

C Accounting method: (1) ☐ Cash (2) ☐ Accrual

E Did you "materially participate" in the operation of this business during 2000? If "No," see page F-2 for limit on passive losses. ☐ Yes ☐ No

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method taxpayers complete Parts II and III, and line 11 of Part I.)
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

1 Sales of livestock and other items you bought for resale	1			
2 Cost or other basis of livestock and other items reported on line 1	2			
3 Subtract line 2 from line 1			3	
4 Sales of livestock, produce, grains, and other products you raised			4	
5a Total cooperative distributions (Form(s) 1099-PATR)	5a		5b Taxable amount	5b
6a Agricultural program payments (see page F-2)	6a		6b Taxable amount	6b
7 Commodity Credit Corporation (CCC) loans (see page F-3):				
a CCC loans reported under election			7a	
b CCC loans forfeited	7b		7c Taxable amount	7c
8 Crop insurance proceeds and certain disaster payments (see page F-3):				
a Amount received in 2000	8a		8b Taxable amount	8b
c If election to defer to 2001 is attached, check here <input type="checkbox"/>			8d Amount deferred from 1999	8d
9 Custom hire (machine work) income			9	
10 Other income, including Federal and state gasoline or fuel tax credit or refund (see page F-3)			10	
11 Gross income. Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from page 2, line 51			11	

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.

12 Car and truck expenses (see page F-4—also attach Form 4562)	12			25 Pension and profit-sharing plans	25	
13 Chemicals	13			26 Rent or lease (see page F-5):		
14 Conservation expenses (see page F-4)	14			a Vehicles, machinery, and equipment	26a	
15 Custom hire (machine work)	15			b Other (land, animals, etc.)	26b	
16 Depreciation and section 179 expense deduction not claimed elsewhere (see page F-4)	16			27 Repairs and maintenance	27	
17 Employee benefit programs other than on line 25	17			28 Seeds and plants purchased	28	
18 Feed purchased	18			29 Storage and warehousing	29	
19 Fertilizers and lime	19			30 Supplies purchased	30	
20 Freight and trucking	20			31 Taxes	31	
21 Gasoline, fuel, and oil	21			32 Utilities	32	
22 Insurance (other than health)	22			33 Veterinary, breeding, and medicine	33	
23 Interest:				34 Other expenses (specify):		
a Mortgage (paid to banks, etc.)	23a			a	34a	
b Other	23b			b	34b	
24 Labor hired (less employment credits)	24			c	34c	
				d	34d	
				e	34e	
				f	34f	
35 Total expenses. Add lines 12 through 34f					35	
36 Net farm profit or (loss). Subtract line 35 from line 11. If a profit, enter on Form 1040, line 18, and also on Schedule SE, line 1. If a loss, you must go on to line 37 (estates, trusts, and partnerships, see page F-6)					36	

37 If you have a loss, you must check the box that describes your investment in this activity (see page F-6).
☐ 37a All investment is at risk.
☐ 37b Some investment is not at risk.

Step Four: Complete this step if you (the student) answered "No" to all questions in Step Three.

59. Go to page 7 to determine who is considered a parent for this step. What is your parents' marital status as of today?

(Pick one.) Married/Remarried ☐ Single ☐ Divorced/Separated ☐ Widowed ☐

What are your parents' Social Security Numbers and last names?

If your parent does not have a Social Security Number, enter 000-00-0000

60. FATHER'S/STEPFATHER'S
SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--

61. FATHER'S/
STEPFATHER'S
LAST NAME

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

62. MOTHER'S/STEPMOTHER'S
SOCIAL SECURITY NUMBER

--	--	--	--	--	--	--	--	--	--

63. MOTHER'S/
STEPMOTHER'S
LAST NAME

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

64. Go to page 7 to determine how many people are in your parents' household.

--	--

65. Go to page 7 to determine how many in question 64 (exclude your parents) will be college students between July 1, 2001 and June 30, 2002.

--	--

66. What is your parents' state of legal residence?

--	--

67. Did your parents become legal residents of the state in question 66 before January 1, 1996?

Yes ☐ No ☐

68. If the answer to question 67 is "No," give the month and year legal residency began for the parent who has lived in the state the longest.

--	--	--	--	--	--

69. What is the age of your older parent?

--	--

70. For 2000, have your parents completed their IRS income tax return or another tax return listed in question 71?

a. My parents have already completed their return. ☐ b. My parents will file, but they have not yet completed their return. ☐ c. My parents are not going to file. (Skip to question 76.) ☐

71. What income tax return did your parents file or will they file for 2000?

a. IRS 1040 ☐ d. A tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau. See Page 2. ☐
b. IRS 1040A, 1040EZ, 1040Telefile ☐
c. A foreign tax return. See Page 2. ☐

72. If your parents have filed or will file a 1040, were they eligible to file a 1040A or 1040EZ? See page 2.

Yes ☐ No ☐ Don't Know ☐

For questions 73 - 83, if the answer is zero or the question does not apply, enter 0.

73. What was your parents' adjusted gross income for 2000? Adjusted gross income is on IRS Form 1040-line 33; 1040A-line 19; 1040EZ-line 4; or Telefile-line I.

--	--	--	--	--	--	--	--	--	--

74. Enter the total amount of your parents' income tax for 2000. Income tax amount is on IRS Form 1040-line 51; 1040A-line 33; 1040EZ-line 10; or Telefile-line K.

--	--	--	--	--	--	--	--	--	--

75. Enter your parents' exemptions for 2000. Exemptions are on IRS Form 1040-line 6d or on Form 1040A-line 6d. For Form 1040EZ or Telefile, see page 2.

--	--

76-77. How much did your parents earn from working in 2000? Answer this question whether or not your parents filed a tax return. This information may be on their W-2 forms, or on IRS Form 1040-lines 7 + 12 + 18; 1040A-line 7; or 1040EZ-line 1. Telefilers should use their W-2's.

Father/
Stepfather (76) \$

--	--	--	--	--	--	--	--	--	--

Mother/
Stepmother (77) \$

--	--	--	--	--	--	--	--	--	--

Parent Worksheets (78-80)

78-80. Go to Page 8 and complete the columns on the right of Worksheets A, B, and C. Enter the parent totals in questions 78, 79, and 80, respectively. Even though your parents may have few of the Worksheet items, check each line carefully.

Worksheet A (78) \$

--	--	--	--	--	--	--	--	--	--

Worksheet B (79) \$

--	--	--	--	--	--	--	--	--	--

Worksheet C (80) \$

--	--	--	--	--	--	--	--	--	--

81. As of today, what is the net worth of your parents' current investments? See page 2.

--	--	--	--	--	--	--	--	--	--

82. As of today, what is the net worth of your parents' current businesses and/or investment farms? See page 2. Do not include a farm that your parents live on and operate.

--	--	--	--	--	--	--	--	--	--

83. As of today, what is your parents' total current balance of cash, savings, and checking accounts?

--	--	--	--	--	--	--	--	--	--

Now go to Step Six.

WEDNESDAY, JANUARY 17, 2001

BISMARCK-MANDAN, N.D.

A tough year ahead for N.D. farmers

By JERRY W. KRAM
Bismarck Tribune

Continued low commodity prices and higher expenses will combine to make 2001 a tough year for farmers to turn a profit, according to Andrew Swenson, an Extension Service farm management specialist.

Higher fuel, fertilizer and machinery costs, combined with low crop prices, put profit projections at the lowest level in a decade, Swenson said. The Extension Service publishes projected crop budgets for eight regions in North Dakota every January.

"Prices are low and our costs are going up," Swenson said. "So that's more of a squeeze on profits this year than in the past."

The budgets project losses for the state's largest crop, hard red spring wheat, in each of the eight regions of the state. The smallest losses are expected in the southwest, at \$13.69 an acre. Losses in the southern Red River Valley are expected to be the highest, more than \$30 an acre, mainly because of higher



land prices.

Swenson said many farmers will have a positive cash flow this year, because cash flow doesn't include non-cash expenses like depreciation of buildings

and machinery. But he warned that farmers can't go on living off their depreciation indefinitely, but it will allow farmers to get through another year.

"Typically in the short run, if you can cover your variable costs and any portion of your fixed costs, you're better off than shutting down and covering all of your fixed costs," Swenson said. "A person who owns all their machinery and land and has no debt, they could very well cash flow. But what happens is that you are living on the depreciation of the machinery and pretty soon that has to be replaced."

Minor crops — lentils, garbanzo beans, crambe, mustard, buckwheat and safflower — showed positive returns in the western part of the state. Confectionery sunflowers and dry beans showed the best returns in the central and eastern areas. Swenson said there wasn't enough of a market for these crops combined to offset the state's major crops.

Swenson warned that these crops also have severe production and price risks. He advised that it is a good policy for farmers to contract these crops if they can get an attractive price, especially if the crop has just a few buyers.

"There's probably reason that some

of these crops show a profit, and that's because there is a higher risk," Swenson said. "With higher risk you have a higher potential for returns."

Things may be even worse than the budgets predict, because prices for nitrogen fertilizer like anhydrous ammonia are expected to go up from the \$290 per ton rate used to calculate expenses in December.

There is some good news for producers. Soil tests show there is more nitrogen left in the soil than there was last year, so farmers should need less fertilizer. Crop insurance will be cheaper than last year, interest rates are relatively flat and land costs in the northern part of the state have softened.

Also, average yields used to calculate in the northern part of the state have been depressed by several consecutive years of weather-related crop disasters. If yields are higher, farmers will do better.

"That's one of the reason the guys keep growing crops even though the projections are less than optimistic,"

SEE FARMERS, 2B

Farm income headed for a fall

Congressional help needed to offset loss of 10 percent by farmers

By PHILIP BRASHER
AP Farm Writer

WASHINGTON (AP) — Farm income will decrease 10 percent this year without another multi-billion-dollar bailout from Congress to compensate producers for low commodity prices, the Agriculture Department said Wednesday.

The department estimated net farm income will dip to \$41.3 billion this year, \$4.1 billion less than last year, without a special aid program. In 2000, farmers received \$8 billion in emergency assistance from Congress, boosting net farm income to \$45.4 billion.

Average farm income for the 1990s was \$45.3 billion a year.

Last year was the third year in a row that Congress has approved a multibillion-dollar aid package to supplement the government's permanent farm assistance.

Agriculture Secretary Dan Glickman said this week that another aid package will be needed this year.

Farm groups already are developing a request. "We're working on a plan with the rest of the commodity groups ... even as we speak to see if we can come up with a consensus," said Mary Kay Thatcher, a lobbyist for the American Farm Bureau Federation.

Crop prices plummeted in the late 1990s because of lagging exports and heavy worldwide production.

"By historical standards, the last five years have been an unusually favorable period for crop production," according to a report issued by USDA's Economic Research Service.

"We're working on a plan with the rest of the commodity groups ... even as we speak to see if we can come up with a consensus."

Lobbyist Mary Kay Thatcher

"Not only has there been little adverse weather, but rainfall has also been generally abundant and timely, not only in the United States but also in the world's major agricultural producing countries."

Farmers received a record \$22.1 billion in direct government payments last year, including the emergency aid, \$6.4 billion in crop subsidies and other assistance.

Commodity prices are expected to rise enough to provide some help to farmers and taxpayers. Federal crop subsidies, known to farmers as loan deficiency payments, are expected to drop \$2 billion this year.

USDA expects improvement for both crop and livestock farmers.

Total crop production for 2001 is projected to rise \$4.7 billion to \$101 billion. Income for cotton is expected to rise 17 percent.

Total livestock production is estimated at \$100.2 billion for 2001, up \$1 billion from last year, with the gains coming in higher prices for milk and hogs. Income from cattle are expected to decline slightly.

Overall, farmers are in relatively sound financial condition, according to the report. Farmland values are expected to increase about 1 percent.