

# **Analysis of the U.S. Commodity Loan Program with Marketing Loan Provisions**

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## **Introduction**

Commodity loan programs in the United States are one of the major domestic support programs and have been in existence in various forms since the 1930's, primarily covering major field crops. Different versions of these programs over time have been designed to provide different benefits to producers, including price support, income support, price stability, and short-term liquidity.

Over the past 15 years, commodity loan programs for major field crops have added marketing loan provisions to existing nonrecourse loan provisions. As a result, loan programs have effectively moved from providing price support to providing income support without supporting market prices. While annual costs of marketing loans through 1997 were generally

small, lower commodity prices in the last few years have led to significant budgetary costs. Total marketing loan benefits rose from less than \$200 million for 1997 crops to more than \$3.8 billion for 1998 and about \$8 billion for 1999 crops. USDA's February 2000 baseline projections indicate a continuation of sizeable marketing loan costs for the next several years, as crop prices are projected to be below to slightly above corresponding commodity loan rates (USDA, Office of the Chief Economist).

This report investigates the nature of market effects in the U.S. agricultural sector resulting from the commodity loan program with marketing loans. The analysis focuses on acreage, production, use, and price effects of the program among major field crops directly affected by marketing loans.