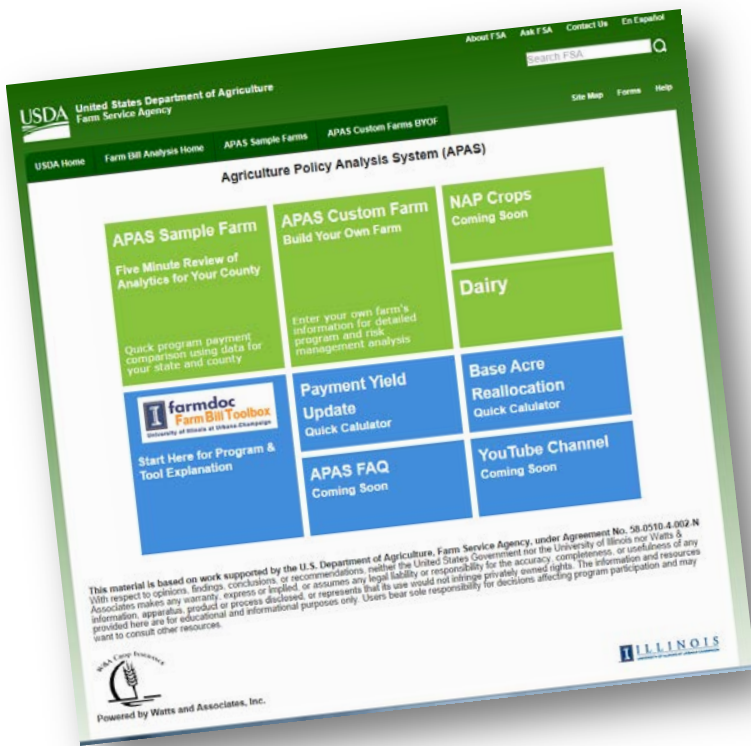


FARM BILL DECISIONS



Gary Schnitkey,
Jonathan Coppess,
Nick Paulson
University of Illinois

DEVELOPMENT & OUTREACH COALITION

- University of Illinois
- Watts & Associates
- The Ohio State University
- Michigan State University
- Delaware State University
- University of Arkansas-Pine Bluff
- North Carolina A&T University
- Montana State University

DECISION ASSISTANCE

Farm Bill Toolbox on farmdoc:

<http://farmbilltoolbox.farmdoc.illinois.edu/>

Web-based decision tool, Agriculture Policy Analysis System (APAS):

<http://fsa.usapas.com/>

Are 3 sets of decisions;
7 steps towards making them

FARM SERVICE AGENCY (FSA) FARM

- Is a defined farm at FSA
- Can have a:
 - Land owner
 - Farmer (will have multiple FSA farms)
 - Many combinations of the above
- Reconstitutions
 - Changes in FSA farm (increase/decrease acres)
 - Decisions made with current farms

COMMODITY PROGRAM DECISIONS

Each FSA farm:

1. Programs yields (current or updated)
2. Base acres (Retain or reallocated)

3. For each FSA farm/crop, which program will be used to make payments:

- Price Loss Coverage (PLC)
- Agriculture Risk Coverage – County level (ARC – County)
- Agriculture Risk Coverage – Individual level (ARC – Individual)

* ARC-individual applies to all crops and all farms in a state

* SCO not available with ARC

Decision 1 and 2: Now till February 27th

Decision 3: November 17 to March 31 (wait till later)

NATURE OF DECISIONS

- One time non-revocable decisions
- Last the life of the 2014 Farm Bill (2014 to 2018 and go through extensions)
- Yield updating/Acre reallocation decisions by land owner
- Program choice by:
 - Cash rent: Farmer
 - Share rent: Farmer and land owner
- Same decision for all parties
 - No decision: Enrolled in PLC, no payments in 2014

FSA INFORMATION

The following information comes from Farm Service Agency and was sent in a letter received in August 2014. This information gives current base acres, current program yields, and plantings from 2008 through 2012.

Base acre and yield information

	2014 Base Acres	2014 CC Yield	Unit of Yield	<< 2014 base acres will be used unless reallocated. << 2014 CC yields will be program yield unless updated.
Corn	54.00	148	bushels	
Soybeans	45.00	43	bushels	
Wheat	1.00	56	bushels	
	100.00	<< total base acres for allocation choices		

Acres from 2008 to 2012 (as recorded by FSA)

	Year					
	2008	2009	2010	2011	2012	
Corn						<< 2008 acres only used to determine if 2008 yield is needed in updating.
Planted	75	75	75	100	50	
Prevented						
Double						(Subsequent crop not in total. See FSA for options.)
Subsequent						
Total for updating	75	75	75	100	50	

	Year					
	2008	2009	2010	2011	2012	
Soybeans						
Planted	25	25	25		50	
Prevented						
Double						(Subsequent crop not in total. See FSA for options for these acres.)
Subsequent						
Total for updating	25	25	25	0	50	

RETAIN / REALLOCATE

Retain and Reallocate Acres

Help

The reallocation decision has two alternatives: 1) "retain" current base acres or 2) "reallocate" base acre. The two alternatives are given below. Total base acres do not differ between the alternatives. See the "expected payment" section from payment comparisons between the two alternatives.

Program Crop	Retain Acres ¹	Reallocated Acres ²	Crop Proportion of 2009 through 2012 Plantings
Corn	54.00	75.00	75%
Soybeans	45.00	25.00	25%
Wheat	<u>1.00</u>	<u>0.00</u>	<u>0%</u>
Total base acres	100.00	100.00	100%

¹ Current acres are "2014 base acres" on record with FSA.

² Based on proportion of plantings from 2009 through 2012.

Expected Payments:

1. Corn
2. Soybeans
3. Wheat

YIELD UPDATING

Help

Yield Updating

Yield input with yellow backgrounds are for years with planted or double crop acres. Yields in these years will impact "updated" yields. Enter yields in these boxes if you can provide yield documentation for an audit. The "plug" yield will be used for any yield left blank or that is below the plug yield.

	Year					Updated Yield ¹	Current Yield ²	Plug Yield ³	Use this
	2008	2009	2010	2011	2012				as Program Yield ⁴
Corn	175	178	173	154	114	145	148	126	Max
Soybeans	52	55	48		45	45	43	37	Max
Wheat							56	54	Max

¹ Updated yield equals 90% of average yield from 2008 to 2012, replacing yields below the plug yield with the plug yield. The plug yield will be used if no yield is entered.

² This is the "2014 CC yield" on record with FSA.

³ Yearly yields below this plug yield will be replaced by the plug yield.

⁴ This is the choice used for printing the yield choice form and for performing the analysis below. Choices are:
 1) Max -- automatically choose the option with the highest yield, 2) Current -- use the current yield, 3) Updated -- use the updated yield. The highest yield should be used in most cases.

Complete and Print Farm Service Agency Form for Updating Yields

PRICE LOSS COVERAGE (PLC) YIELD WORKSHEET

Test case
County 2
County 3

2B. County FSA Office Telephone Number (Including Area Code) x xx-xx-xxxx		2C. County FSA Office FAX Number (Including Area Code) vvv-vv-vvv
3. State Code 17	4. County Code 89	5. Farm Number 456

THE YIELD WORKSHEET is used to obtain yield information that may be used by a current owner who may choose to update the covered commodity yield as permitted under Section 1113 of Public Law 113-79 and 7 CFR Part 1412. The yields provided in this worksheet for the years the covered commodity was planted, 2008 through 2012, will be averaged using the simple average method excluding years of zero planting. Once the simple average yield of the covered commodity is calculated, any current owner on the farm may choose to update the farm's covered commodity CC yield on form CCC-858 during the yield update period.

Report the actual yields planted on the farm for each covered commodity planted for the years 2008 – 2012. The higher of either the actual yield or 75% of the County Average (substitute yield) will be used for each year. If the owner chooses to update the yield, then the farm yield will be 90% of the simple average (excluding the year(s) the commodity was not planted) yield reported on this form.

TOTAL FARM YIELD WORKSHEET

Complete this section **ONLY** for covered commodities that the owner may wish to report. **If a covered commodity was not planted for a particular year, then leave that year blank.** Enter the source of the data used to support the yield in Item 6C. Rec Type: 1 for "RMA data", 2 for "production sold/commercial storage", 3 for "on-farm storage", 4 for "livestock feed records", 5 for "FSA loan record", 6 for "FSA NAP record", or 7 for "other". Please enter the other record type in the remarks section on the form. This is **ONLY** a worksheet. It is **NOT** the yield update. This form may be used by any current owner of the farm if the current owner decides to update a yield using CCC-858 during the yield update period.

6. Farm Yields

6A. Commodity	2008		2009		2010		2011		2012	
	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type
Corn	175	1	178	1	173	1	154	1	114	1
Soyb	52	1	55	1	48	1			45	1
Wheat										

7. Remarks

8A. Contact Person's Name

Tom Henry

8B. Contact Person's Telephone Number

111-2222-3333

8C. Contact Person's Email Address

testmail@illinois.edu

PROGRAM DECISION

Three choices:

- PLC (Price Loss Coverage) – can have SCO
 - Target price (now reference price) program
- ARC-County – can not have SCO
 - Agricultural Risk Coverage
 - County level revenue program
- ARC-IC – ARC individual – can not have SCO
 - Farm Level revenue program
 - All crops together in guarantee calculations
 - Not be used much, explain why latter

Except for ARC-IC, all program by FSA farm/crop, ARC-IC is per farm

4. DECIDE ARC-COUNTY OR PLC

ARC-County

ARC-County is a county revenue program – payments below a guarantee, guarantee is based on past 5 yields and Market-Year-Average prices

Pays from 86% of guarantee

Max payment is 10% of benchmark revenue

PLC

PLC is a target price program – payments are made when below a reference price

Reference Price:

Corn: \$3.70 Soybeans: \$8.40 Wheat: \$5.50

ARC-CO

Benchmark Revenue = 5-year Olympic average county yields X 5-year Olympic average MYA prices
(ref. price & 70% of T-yield replace low price & yield)

Guarantee = 86% of the Benchmark Revenue

Actual Revenue = County average yield X MYA price

Payment Rate = Guarantee – Actual;
not to exceed 10% of the Benchmark

Payment = Payment Rate X 85% of the Base Acres for the Crop

PLC

When Market Year Average (MYA) price is below the Reference Price.

Payment rate = reference minus MYA (or loan rate)

Payment = payment rate X payment yield, on 85% of crop's base acres

Crop	Ref. Price
Corn	\$3.70/bu.
Soybeans	\$8.40/bu.
Wheat	\$5.50/bu
Grain sorghum	\$4.95/bu.
Barley	\$4.95/bu.
Oats	\$2.40/bu.
Other Oilseeds	\$20.15/cwt.
Dry peas	\$11.00/cwt.
Rice	\$14.00/cwt.
Peanuts	\$535/ton
Lentils	\$19.97/cwt.
Small chickpeas	\$19.04/cwt.
Large chickpeas	\$21.54/cwt.

BREAK POINTS

- **Corn (\$3.70 reference price)**
ARC-County make higher payments if
MYA price averages above \$3.30
(all five years)
- **Soybeans (\$8.40 reference price)**
ARC-County higher payments > \$7.80
- **Wheat (\$5.50 reference price)**
ARC-County higher payments > \$5.50

5. ENROLL FARM IN ARC-INDIVIDUAL

Limited use?

- Whole farm insurance
(group all crops/FSA farms together)
- ARC-Individual pays on 65% of base acres,
ARC-County and PLC on 85% of base acres

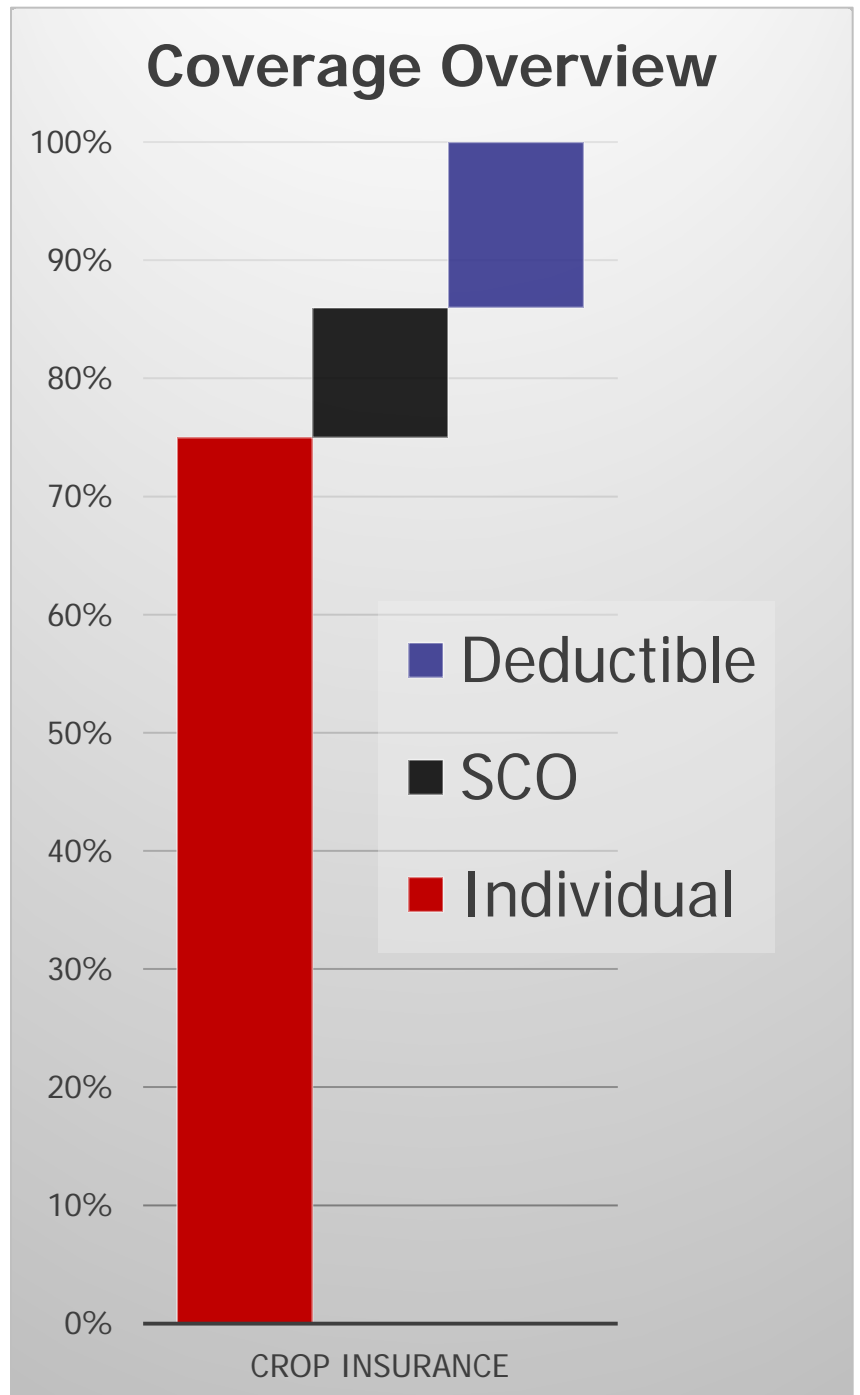
Maybe use ARC-Individual for one farm with extreme yields and one crop, but if you get two they will average together

STEP SIX: CONSIDER SCO

- ✓ Supplemental Coverage Option;
crop insurance policy
- ✓ County trigger (86%) down to
COMBO policy trigger
- ✓ Applied to underlying policy
deductible range
- ✓ Only available for crops in PLC
(or no program)

STEP SIX: CONSIDER SCO

- ✓ Example with 75% RP
- ✓ SCO range from 86% to 75%
- ✓ County trigger applied to individual deductible



SCO OBSERVATIONS

- If an 85% COMBO product is available, very little additional risk protection under SCO (86% to 85%)
- SCO+RP will have premiums about the same as a RP-80% coverage level
- SCO products may have higher returns than COMBO product. Picking SCO with RP-80% may have net payments (insurance payments – premiums) of \$5 per acre more than RP-85%.
Preliminary estimate need to see rates
- Many Midwest farmers will be indifferent (not a big deal)

STEP SEVEN: DECISIONS & DEADLINES

- ✓ Base acre reallocation and yield updates:
Feb. 27, 2015
- ✓ ARC/PLC Election:
March 31, 2015
- ✓ Sign contracts:
mid-April through June 1, 2015