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

http://farmbilltoolbox.farmdoc.illinois.edu/
Farm Bill Toolbox on farmdoc:
http://farmbilltoolbox.farmdoc.illinois.edu/index.html

Web-based decision tool, Agriculture Policy Analysis System (APAS):
http://fsa.usapas.com/

Are 3 sets of decisions; 7 steps towards making them
FARM BILL DECISIONS

One-time, irrevocable per FSA farm:

1) Update payment yields
2) Retain or reallocate base acres
3) Program Election decision:
   - Agriculture Risk Coverage, County Option (ARC-CO)
   - Agriculture Risk Coverage, Individual Farm Coverage Option (ARC-IC)
   - Price Loss Coverage (PLC)
     (+ Supplement Cover Option (SCO) in crop insurance)

http://farmbilltoolbox.farmdoc.illinois.edu/
**Step One:** Collect Information

- For each FSA farm
- FSA August letter: base, yields, acres planted
- Yield history for 2008 to 2012; crop insurance records accepted
STEP TWO:
RETAIN OR UPDATE YIELDS

- Landowner decision; keep current (FSA letter) or update to 90% of 2008-2012

- Need cropping history; Crop Insurance records accepted

- Crop-by-crop decision; generally, choose the one that results in highest yield
STEP THREE: RETAIN OR REALLOCATE BASE

✓ Landowner decision; all program crops on farm; will not increase or decrease total

✓ Keep current or reallocate to the ratio of 2009-2012 plantings

✓ Generally look to increase base for crops with larger potential payments
STEP FOUR: COMPARE ARC-CO & PLC

✓ All **producers** on the farm; crop-by-crop decision

✓ ARC-CO: county revenue program; 5-year Olympic average of MYA Prices & county yields

✓ PLC: deficiency payment when MYA is below reference price
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

<table>
<thead>
<tr>
<th>Crop</th>
<th>Ref. Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70/bu.</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40/bu.</td>
</tr>
<tr>
<td>Wheat</td>
<td>$5.50/bu.</td>
</tr>
<tr>
<td>Grain sorghum</td>
<td>$4.95/bu.</td>
</tr>
<tr>
<td>Barley</td>
<td>$4.95/bu.</td>
</tr>
<tr>
<td>Oats</td>
<td>$2.40/bu.</td>
</tr>
<tr>
<td>Other Oilseeds</td>
<td>$20.15/cwt.</td>
</tr>
<tr>
<td>Dry peas</td>
<td>$11.00/cwt.</td>
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<tr>
<td>Rice</td>
<td>$14.00/cwt.</td>
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<tr>
<td>Peanuts</td>
<td>$535/ton</td>
</tr>
<tr>
<td>Lentils</td>
<td>$19.97/cwt.</td>
</tr>
<tr>
<td>Small chickpeas</td>
<td>$19.04/cwt.</td>
</tr>
<tr>
<td>Large chickpeas</td>
<td>$21.54/cwt.</td>
</tr>
</tbody>
</table>
Step Five: Consider ARC-IC

✓ All producers on the farm; all program crops

✓ Individual, farm level revenue

✓ Farm’s yields, all crops with base

✓ 5-year Olympic average; added together and weighted by planted acres
STEP FIVE: CONSIDER ARC-IC

✓ Sum of all covered commodities

✓ Producer’s share of all farms in state in ARC-IC

✓ Planted acres determine weights

✓ 65% of base acres for all program crops on the farm
**ARC-I C**

**Benchmark Revenue=** For each crop, 5 most recent crop years is calculated individually = Farm yield X MYA price (reference price and 70% T-yield plug)

**Olympic Average Revenues=** Each crop’s revenue, 5 most recent years dropping highest and lowest

**Weighted Sum is Benchmark Rev.=** Crop year planted acreages used to weight Olympic avg. revenue each crop, added together

**Actual Revenue=** Individual crop’s revenue (farm yield X MYA price) added together and weighted by planted acres
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
STEP SEVEN:
DECISIONS & DEADLINES

✓ Base acre reallocation and yield updates: Sept. 29, 2014 to Feb. 27, 2015

✓ ARC/PLC Election: Nov. 17, 2014 to at least March 31, 2015

✓ Sign contracts: mid-April through June 1, 2015