



FARM PROGRAM DECISION TOOL

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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 BILL DECISIONS

One-time, irrevocable per FSA farm:

Deadline (February 27)

- 1) Update payment yields
- 2) Retain or reallocate base acres

Deadline (March 31)

3) Program Election decision:

- ✓ Agriculture Risk Coverage, County Option (ARC-CO)
 - ✓ Agriculture Risk Coverage, Individual Farm Coverage Option (ARC-IC)
 - ✓ Price Loss Coverage (PLC)
- (+ Supplemental Cover Option (SCO) in crop insurance)

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



FSA LETTER



WARD COUNTY FSA OFFICE
1920 13TH ST SE
MINOT ND 58701-6059

July 28, 2014



Producer A
12345 Any Place
Any town ND 1111-1111

Dear PRODUCER A

On February 7, 2014, the President signed the Agricultural Act of 2014 (the 2014 Farm Bill), which provides owners with an option to reallocate base acres and update yields for “covered commodities”. The reallocation of base acres and the updating of counter-cyclical yields for covered commodities are in preparation for producers to enroll in the Price Loss Coverage (PLC) and/or Agriculture Risk Coverage (ARC) programs authorized by the 2014 Farm Bill. Covered commodities include barley, canola, large and small chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, long grain rice, medium grain rice (includes short grain rice and temperate japonica rice), safflower seed, sesame, soybeans, sunflower seed, and wheat. **Note:** Upland cotton is no longer a covered commodity.

hed Summary Acreage Hi f covered commodities reported t

Ward, North Dakota		Farm Number 12		Operator Producer B		
2014 Commodity	2014 Base Acres	2014 CC Yield	2014 Commodity	2014 Base Acres	2014 CC Yield	
Barley	25.70	42.00	Canola	8.70	1144.00	
Wheat	112.60	28.00				
Crop		History				
		2008	2009	2010	2011	2012
Barley	Planted	128.78	0.00	0.00	0.00	0.00
Barley	Prevented	0.00	0.00	0.00	0.00	0.00
Barley	Double	0.00	0.00	0.00	0.00	0.00
Barley	Subsequent	0.00	0.00	0.00	0.00	0.00
Peas	Planted	0.00	129.78	0.00	0.00	109.40
Peas	Prevented	0.00	0.00	0.00	0.00	13.00
Peas	Double	0.00	0.00	0.00	0.00	0.00
Peas	Subsequent	0.00	0.00	0.00	0.00	0.00
Wheat	Planted	0.00	0.00	117.28	99.70	24.90
Wheat	Prevented	0.00	0.00	22.50	40.70	0.00
Wheat	Double	0.00	0.00	0.00	0.00	0.00
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FSA LETTER

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Make sure data is correct

Acres from 2009 through 2012
are correct

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



YIELD UPDATING EXAMPLES

Champaign County, Illinois

Corn

	2008	2009	2010	2011	2012
Ex 1	174	186	168	162	107
Ex 2	174		168		107
Ex 3	No Docs		168		107

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

ACRE REALLOCATION EXAMPLE

Ward, North Dakota		Farm Number 12		Operator Producer B		
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Wheat	112.60	28.00				
History						
Crop		2008	2009	2010	2011	2012
Barley	Planted	128.78	0.00	0.00	0.00	0.00
Barley	Prevented	0.00	0.00	0.00	0.00	0.00
Barley	Double	0.00	0.00	0.00	0.00	0.00
Barley	Subsequent	0.00	0.00	0.00	0.00	0.00
Peas	Planted	0.00	129.78	0.00	0.00	109.40
Peas	Prevented	0.00	0.00	0.00	0.00	13.00
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Wheat	Double	0.00	0.00	0.00	0.00	0.00
Wheat	Subsequent	0.00	0.00	0.00	0.00	0.00

Current Base Acres

Barley: 25.70

Wheat: 112.60

Canola: 8.70

Planted Acre

Dry Peas in 2009: 129.78

Dry Peas in 2012: 122.40

Wheat in 2010: 139.78

Wheat in 2011: 140.40

Wheat in 2012: 24.90

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

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.

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-IC

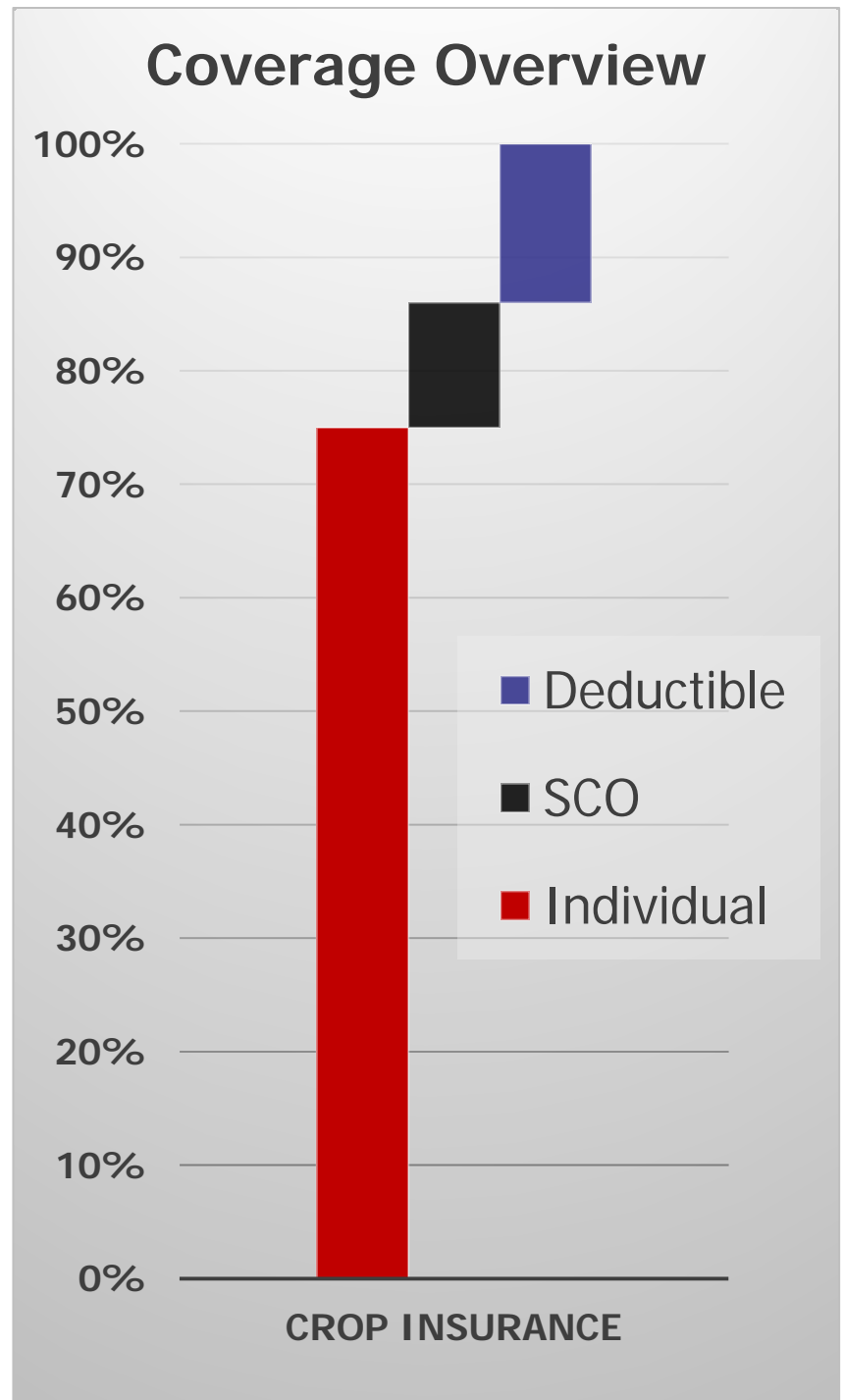
- Benchmark Revenue** = For each crop, 5 most recent crop years is calculated individually = Farm yield X MYA price (reference price and 70% T-yield plug)
- Olympic Average Revenues** = Each crop's revenue, 5 most recent years dropping highest and lowest
- Weighted Sum is Benchmark Rev.** = Crop year 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