



SIMPLIFYING FARM PROGRAM DECISIONS

Key Points



Lola Raska, Executive Vice President
Montana Grain Growers Association



Why So Complicated?

“The flip side of choice is complexity”

Covered this session:

- Decision deadlines
- Yield update
- Base reallocation
- Key points of:
 - PLC
 - ARC-IC
 - ARC-CO

Signup Deadlines

- Yield update & Base reallocation
 - Deadline: February 27, 2015
 - Who decides: Landowner
- Program election between ARC-IC/ARC-CO/PLC
 - Deadline: March 31, 2015
 - Who decides: Producer (includes all those with risk)
- Sign contract for 2014 & 2015
 - Deadline: June 1, 2015
 - Who decides: Producer

Program Comparison

| | ARC-IC | ARC-CO | PLC |
|-----------------------|--------------------------------|----------------------------|-----------------------------|
| Risk covered | Whole-farm revenue | Co-level revenue | Price only |
| Trigger | Whole farm 14-24% revenue loss | County 14-24% revenue loss | Price below reference price |
| Elect by | All crops on farm | Crop by crop | Crop by crop |
| Price | Nat'l Price | Nat'l Price | Nat'l Price |
| Yield | Producer's Yield | County Yield | Program Yield |
| Acres (for guarantee) | Planted | n/a | n/a |
| Payment Acres | 65% of <u>Total</u> Farm Base | 85% of Base by crop | 85% of Base by crop |
| Planting required? | Yes | No | No |

Yield Update

- Program Yield Update - one time option
 1. FSA program (or CC) yield
 2. 90% of 2008-2012 actual simple average yield
 - * Wheat is all wheat; barley is all barley
- Pick the highest number

Key Points:

- ✓ Can update by crop
- ✓ Previous owner can provide history
- ✓ Exclude zero planted years
- ✓ If low yields or no history use 75% of County yield
- ✓ Only used in PLC

Base Reallocation

- Base Reallocation - one time option
 - 1) Retain existing base acres OR
 - 2) Reallocate existing base acres in proportion to 2009-2012 average planted and prevent plant acres

Key Points:

- ✓ Do you want your base to reflect recent planting history?
- ✓ ARC-CO and PLC pay on base acres by crop
- ✓ ARC-IC pays on TOTAL base acres for farm, so reallocation not as important

Keep in Mind

- Program election is by FSA Farm Number
 - Stays with land for life of farm bill
- Program election for crop share lease must be unanimous decision between renter and landlord
 - If no decision, payments forfeited for 2014 crop and PLC is only option for 2015 & forward
- Federal crop not required to participate in ARC/PLC

PLC

- If National price falls below Reference (target) price, you receive a payment; if not, zero payment
- $\text{Payment} = (\text{reference price} - \text{effective price}) \times \text{program yield} \times 85\% \text{ of base acres for that crop}$

Key Points:

- ✓ Elect by crop
- ✓ Can mix and match with ARC-CO by crop within farm #
- ✓ Don't need to plant crop to receive payment
- ✓ Must have base acres in crop to receive payment
- ✓ Only program that uses program yield
- ✓ Only program that allows option to purchase SCO crop insurance supplement

PLC Reference Prices

| Crop | Old CCP Target Price | PLC Reference Price | Nov 10 USDA Projected Nat'l Price for 2014 |
|---------------------|----------------------|---------------------|--|
| All Wheat / bu | \$4.17 | \$5.50 | \$5.90 |
| All Barley / bu | \$2.63 | \$4.95 | \$5.15 |
| Corn / bu | \$2.63 | \$3.70 | \$3.50 |
| Soybeans / bu | \$6.00 | \$8.40 | \$10.00 |
| Oats / bu | \$1.79 | \$2.40 | \$3.25 |
| Dry peas / cwt | \$8.32 | \$11.00 | \$11.50 |
| Lentils / cwt | \$12.81 | \$19.97 | \$20.50 |
| Sm chickpeas / cwt | \$10.36 | \$19.04 | \$20.00 |
| Lge chickpeas / cwt | \$12.81 | \$21.54 | \$26.50 |

ARC-IC

- If Actual farm revenue falls below Guarantee farm revenue, you receive a payment
- ARC-IC payment = 65% X total farm base acres X difference between Guarantee and Actual crop revenue, not to exceed 10% of Benchmark revenue
 - Benchmark and guarantee based on most recent 5-yr revenues for all crops on farm

Key Points:

- ✓ Whole farm, aggregated with other farms in ARC-IC
- ✓ Must plant some acres to receive payment
- ✓ Pays on total base acres, so base by crop not relevant

ARC-CO

- If Actual county revenue falls below Guarantee county revenue, you receive a payment
- ARC-CO payment = 85% X base acres X difference between Guarantee and Actual county crop revenue, not to exceed 10% of Benchmark revenue
 - Benchmark and guarantee based on most recent 5-yr price and yield for each crop in county

Key Points:

- ✓ Elect by crop
- ✓ Don't need to plant crop to receive payment
- ✓ Must have base acres in crop to receive payment
- ✓ Determined by administrative location of land, not physical

Payment Limitations

- One limit combined for ARC, PLC, LDP, and MLG
 - \$125,000 limit per person, spouse rule applies
- Single AGI cap of \$900,000
 - Includes farm and non-farm income

Program Comparison

| | ARC-IC | ARC-CO | PLC |
|-----------------------|--------------------------------|----------------------------|-----------------------------|
| Risk covered | Whole farm revenue | Co-level revenue | Price only |
| Trigger | Whole farm 14-24% revenue loss | County 14-24% revenue loss | Price below reference price |
| Elect by | All crops on farm | Crop by crop | Crop by crop |
| Price | Nat'l Price | Nat'l Price | Nat'l Price |
| Yield | Producer's Yield | County Yield | Program Yield |
| Acres (for guarantee) | Planted | n/a | n/a |
| Payment Acres | 65% of <u>Total</u> Farm Base | 85% of Base by crop | 85% of Base by crop |
| Planting required? | Yes | No | No |

Consider Your Risk

- Are you most concerned about low prices?
- Do you think crop prices will be low or high over the next 5 years? How low?
- Is yield loss a bigger risk to your farm than low prices?
- How do your farm yields compare to county yields?
- Does your farm have a yield loss when your county has a yield loss?

For More Information

- MGGGA Farm Policy – login: Members2013
 - <http://mgga.org/what-we-do/federal-policy-issues/>
- MSU Farm Bill Page
 - <http://www.montana.edu/farmbill/>
- USDA Fact Sheets, Examples and Q&A
 - <http://www.fsa.usda.gov/FSA>

Decision Tools:

- University of Illinois group, APAS tool
 - <http://fsa.usapas.com/>
- Texas A&M group Decision tool
 - <https://usda.afpc.tamu.edu/>

Thank You



Contact:
406-761-4596
lraska@mgga.org