

# 2014 Farm Bill Update

International Crop Expo

February 19, 2015

**NDSU** EXTENSION  
SERVICE

# Decisions Operators and Owners Need to Make

- Yield Update
- Base Reallocation
- Choice of Safety Net

# Yield Update

- Everyone should attempt to update yields
- Yields can be updated crop by crop
- You will receive the higher of the current c-c yield or the updated yield
- Updated yield is 90% of the average yield on each farm from 2008-2012

# Base Reallocation

- Base reallocation is farm by farm
- Choice of existing crop bases or reallocated bases
- Reallocation is determined by the percent of acres planted to each covered commodity from 2009-2012
- Total base acres will not change
- Not all farms will benefit from base reallocation

# Impact of Base on Payments

Corn

more

Canola

Barley

Wheat

Soybeans

less



If base reallocation gives you more corn or canola base at the expense of any other base it likely makes sense to reallocate

# Safety Net Choice

- Do you want your safety net determined on price only or revenue (yield x price)?

# Price Only Safety Net is Price Loss Coverage (PLC)

- PLC makes a payment when the national average marketing year price is below the reference price



# PLC Example

Crop	Reference Price	Marketing Year Price	PLC Payment Rate
Wheat	\$5.50	\$6.00	-0-
Corn	\$3.70	\$3.65	\$0.05
Soybeans	\$8.40	\$10.20	-0-

- Marketing year price is the January estimate by USDA
- Payment rate is multiplied by the farm's payment yield times base acres times 85 percent

# Price Loss Coverage (PLC) Reference Prices

	per bushel		per cwt
Wheat	\$5.50	Minor Oilseeds	\$20.15
Corn	\$3.70	Dry Peas	\$11.00
Barley	\$4.95	Lentils	\$19.97
Sorghum	\$3.95	Small chickpeas	\$19.04
Soybeans	\$8.40	Large chickpeas	\$21.54
Oats	\$2.40		

# Revenue Safety Net

- Agriculture Risk Coverage – County (ARC-CO)
- Agriculture Risk Coverage – Individual (ARC-IC)

- ARC makes a payment when the current year's revenue is less than 86% of the benchmark revenue
- Maximum ARC payment is 10% of benchmark revenue

Benchmark revenue for ARC-CO is the product of the 5-year Olympic average marketing year price and the 5-year Olympic average county yield

# Example Benchmark Calculation

## 2014 Corn – Grand Forks Cty

Year	Yield	Price
2009	121	3.55
2010	133	5.18
2011	101	6.22
2012	133	6.89
2013	121	4.46
Olympic Average	125.0	5.29
2014 Benchmark Revenue = \$661.25		
ARC Guarantee = \$568.68		

# Example:

## 2014 Corn – Grand Forks Cty

2014 Benchmark Revenue	\$661.25	
ARC Guarantee (86% x B.R.)	\$568.68	
Maximum ARC payment (10% x B.R.)	\$66.12	
2014 Grand Forks County Yield	125 bu	estimated
2014 Marketing Year Average Price	\$3.65	estimated
2014 Revenue	\$456.25	estimated
Guarantee minus Actual Revenue	\$112.43	estimated
Payment Rate	\$66.12	estimated
Payment per Base Acre (85%)	\$56.20	estimated

# Projected U. S. Crop Farm Prices

	2014/15	2015/16	2016/17	2017/18	2018/19
Corn	3.61	3.87	3.91	3.96	4.09
Soybeans	10.03	9.27	9.56	9.93	10.30
Wheat	6.01	5.17	5.26	5.44	5.70
Sorghum	3.81	3.64	3.66	3.77	3.89
Barley	5.26	4.58	4.61	4.66	4.82
Oats	3.23	2.96	2.97	2.97	3.05
Flax	11.95	11.32	11.51	11.77	12.05

Note: FAPRI-MU prepared these projections in mid-December 2014 based on information available at that time.



# Projected U. S. Crop Farm Prices

	2014/15	2015/16	2016/17	2017/18	2018/19
Sunflower Seed	20.34	19.40	19.48	20.46	20.82
Canola	16.80	16.73	17.22	17.87	18.15
Lentils	22.59	20.40	20.74	21.20	21.70
Safflower	23.64	22.39	22.76	23.29	23.85
Mustard Seed	31.70	29.78	30.23	30.90	31.65
Dry Peas	11.74	11.68	11.87	12.19	12.57
Large Chickpeas	28.26	25.82	26.28	27.02	27.91
Small Chickpeas	20.93	19.10	19.45	20.00	20.67

Note: FAPRI-MU prepared these projections in mid-December 2014 based on information available at that time.

# Which Safety Net Option Would I Choose Today?

ARC-CO	PLC
Corn	Barley
Soybeans	Canola
Wheat	

# Payment Projections with FAPRI Prices for Wheat, Grand Forks County

Year	FAPRI Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 46
2014	\$6.01	-	-
2015	\$5.17	\$24.13	\$12.90
2016	\$5.26	\$17.06	\$9.38
2017	\$5.44	-	\$ 2.35
2018	\$5.70	-	-
Total		\$41.19	\$24.63

# Payment Projections with FAPRI Prices for Soybeans, Grand Forks County

Year	FAPRI Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 28
2014	\$10.03	\$14.20	-
2015	\$ 9.27	\$34.42	-
2016	\$ 9.56	\$22.99	-
2017	\$ 9.93	-	-
2018	\$ 10.30	-	-
Total		\$71.61	\$0.00

# Payment Projections with FAPRI Prices for Corn, Grand Forks County

Year	FAPRI Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 109
2014	\$3.61	\$ 56.21	\$8.34
2015	\$3.87	\$ 56.79	-
2016	\$3.91	\$ 23.12	-
2017	\$3.96	-	-
2018	\$4.09	-	-
Total		\$136.12	\$8.34

# Payment Projections with FAPRI Prices for Barley, Grand Forks County

Year	FAPRI Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 65
2014	\$5.26	-	-
2015	\$4.58	\$7.07	\$20.44
2016	\$4.61	\$5.42	\$18.79
2017	\$4.66	\$ 0.07	\$16.02
2018	\$4.82	-	\$7.18
Total		\$12.56	\$62.43

# Payment Projections with FAPRI Prices for Sunflower, Grand Forks County

Year	FAPRI Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 1103
2014	\$20.34	-	-
2015	\$19.40	\$11.99	\$7.03
2016	\$19.48	\$ 4.90	\$6.28
2017	\$20.46	-	-
2018	\$20.82	-	-
Total		\$16.90	\$13.31

# Farm Management Webpage

<http://www.ndsu.edu/farmmanagement>



# Payment Projections with USDA Prices for Wheat, Grand Forks County

Year	USDA Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 46
2014	\$5.90	-	-
2015	\$5.00	\$30.22	\$ 19.55
2016	\$4.65	\$29.88	\$ 33.24
2017	\$4.75	\$22.37	\$ 29.33
2018	\$4.80	\$ 1.92	\$ 27.37
Total		\$84.39	\$109.48

# Payment Projections with USDA Prices for Soybeans, Grand Forks County

Year	USDA Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 28
2014	\$10.00	\$15.02	-
2015	\$ 8.50	\$34.42	-
2016	\$ 8.55	\$32.88	-
2017	\$ 8.80	\$12.11	-
2018	\$ 9.10	-	-
Total		\$94.43	\$0.00

# Payment Projections with USDA Prices for Corn, Grand Forks County

Year	USDA Price Proj.	ARC-CO with 5-Year Avg. Yield	PLC with Farm Yld = 109
2014	\$3.50	\$ 56.21	\$ 18.53
2015	\$3.40	\$ 56.79	\$ 27.80
2016	\$3.50	\$ 50.36	\$ 18.53
2017	\$3.50	-	\$ 18.53
2018	\$3.50	-	\$ 18.53
Total		\$163.36	\$101.92