

# The 2014 Farm Bill: What Does it Mean to Your Future Farm Payments

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# Agricultural Act of 2014

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ARC/PLC Program Process has three PARTS:

1. **Update**: Producer can “*reallocate*” base acres and/or “*update*” CC Yields
2. **Election**: Once Base Acres and Yields are set, then the *Election* of PLC or ARC takes place on the farm.
3. **Enrollment**: Once Election has been completed then *Enrollment* takes place on the farm.

**NOTE:** Applicable to covered commodities on the farm.



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The 2014 Farm Bill provides the following under the commodity title:

- A “**one-time**” decision to **REALLOCATE** base acres
- A “**one-time**” decision to **UPDATE** CC Yields on a farm

**NOTE:** Total Base Acres on the farm **cannot increase** above the amount of the total base acres in effect on September 30, 2013

**Must be completed by February 27, 2015**



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## Update Process for ARC/PLC Program YIELD OPTIONS

1. **Retain** Current CC Yields

OR

2. **Update** Yields *(90% of Planted Yield history)*

Acres planted of covered commodities, **2008 – 2012**, using simple average

**Note:** This option is available **PER** Crop for producers and farms regardless of program election – PLC/ARC-CO/ARC-IC



# Yield Update

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- Average of annual yields for years a crop was planted from 2008-2012 times 90 percent
- Accept the higher of this calculation or current counter-cyclical payment yield
- No reason to not replace a current yield with a higher one
- Will be used to determine payments with PLC

# Updating Payment Yields

Crop	Existing C-C Yield	Actual Yields per Planted Acre					2008-12 Average	90% of Average
		2008	2009	2010	2011	2012		
Wheat	38	40	35	45	38	52	42	37.8
Soybeans	27	32	28	33	31	36	32	28.8
Corn	65	--	--	90	95	110	98.3	88.5
Canola	1250	1300	1550	1450	1700	1800	1560	1404
Sunflower	1100	1200	900	--	--	--	1050	945

SOYBEANS							
2008	<b>Producer Average Yield: 48</b>						
	State	County	Farm	Unit	Acres	Production	Yield
	38	097		00100	433.30	20,884.50	48.20
2009	<b>Producer Average Yield: 41</b>						
	State	County	Farm	Unit	Acres	Production	Yield
	38	097		00010002	151.70	7,736.70	51.00
	38	097		00010005	154.60	4,947.20	32.00
2010	<b>Producer Average Yield: 46</b>						
	State	County	Farm	Unit	Acres	Production	Yield
	38	097		00010001	155.70	6,850.80	44.00
	38	097		00010003	137.80	7,441.20	54.00
	38	097		00010004	159.60	6,384.00	40.00
2011	<b>Producer Average Yield: 46</b>						
	State	County	Farm	Unit	Acres	Production	Yield
	38	097		00010002	151.70	6,826.50	45.00
	38	097		00010006	118.20	5,555.40	47.00
2012	<b>Producer Average Yield: 43</b>						
	State	County	Farm	Unit	Acres	Production	Yield
	38	097		00010001	155.70	8,719.20	56.00
	38	097		00010004	159.60	5,905.20	37.00
	38	097		00010005	154.60	5,565.60	36.00

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## Update Process for ARC/PLC Program BASE OPTIONS

1. **Retain** Current Base Acres

OR

2. **Reallocate** Base Acres

**Crop Acreage** of planted/considered planted

Covered Commodities: **2009 – 2012**

**Note:** This option is available to producers for farms regardless of program election – PLC/ARC-CO/ARC-IC





# Base Reallocation

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- A choice between current set of crop bases or a new mix of crop bases with no increase or decrease in total
- Reallocated bases are the average percent of acreage planted/considered planted of covered commodities from 2009-2012
- To reallocate or stay with existing base may be the most difficult decision with this farm bill


# Reallocating Base Acres

Crop	Existing Base AC	Planted and prevented Planted				2009-12 Average	Percent of Total	Reallocation of Base
		2009	2010	2011	2012			
Wheat	525	500	400	400	350	412.5	49%	363.9
Soybeans	125	150	200	200	200	187.5	22%	165.4
Corn	--	--	50	100	100	62.5	7%	55.1
Barley	50	75	50	--	--	31.3	4%	27.6
Canola	30	125	150	150	200	156.3	18%	137.9
Sunflowers	20	--	--	--	--	--	0%	--
Totals	750	850	850	850	850	850.1		749.9

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Authorizes a **one-time**, 5-year “**Election**” of programs:

- **Price Loss Coverage (PLC)** – offers price protection
  - **Ag Risk Coverage-County (ARC-CO)** – offers shallow loss revenue protection at a **COUNTY** level
  - **Ag Risk Coverage-Individual (ARC-IC)** – offers shallow loss revenue protection at an individual farm level across all farms enrolled in the state
  - **Final Date for Election, March 31, 2015**
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# What must happen to trigger payments?

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- PLC payments – national average cash price below reference price
- ARC payments – county or individual revenue falls below 86% of benchmark revenue
- Base acres – must have base acres for the crops that are eligible for payments

# 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		


# ARC – County Calculations

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1. ARC benchmark revenue is the 5-year Olympic average National market year price multiplied by the 5-year Olympic average county yield
2. Current year's county yield times current year's market year average price is current revenue

# ARC – County Calculations

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- 3. If current revenue is less than 86% of benchmark revenue, the difference is the ARC–county payment rate
  - 4. Maximum payment rate is 10% of benchmark revenue
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## Estimated 5-year Olympic Average Prices and 86% Values for 2014 ARC County Program

Crop	5-year Olympic (\$/bu.)	86% of 5-year Olympic (\$/bu.)*	Current Estimate
Wheat (all)	6.60	5.67	5.90
Soybeans	12.27	10.55	10.00
Corn	5.28	4.54	3.50
Barley (all)	5.45	4.69	5.15
Oats	3.25	2.80	3.25
Flax	13.23	11.38	12.00

\*If 2014 county average yield is exactly equal to the benchmark yield, a price below this value will result in a county ARC payment.



## Estimated 5-year Olympic Average Prices and 86% Values for 2014 ARC County Program

Crop	5-year Olympic (\$/lb.)	86% of 5-year Olympic (\$/lb.)*	Current Estimate
Canola	0.2158	0.1856	0.1640
Sunflowers (all)	0.2347	0.2018	0.2115
Dry Peas	0.1367	0.1176	0.1150
Lentils	0.2383	0.2049	0.2050
Safflower	0.2275	0.1957	0.2345
Mustard	0.3327	0.2861	0.3150
Large Chickpeas	0.3313	0.2849	0.2650
Small Chickpeas	0.2177	0.1872	0.2000

\*If 2014 county average yield is exactly equal to the benchmark yield, a price below this value will result in a county ARC payment.

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## Election of PLC / ARC

**Elect PLC, ARC-CO or ARC-IC on each FSA Farm Number:**

*(PLC or ARC-CO may be elected by Covered Commodity Base Acres on each farm)*

**A:** Producers will make the *1 time election* per farm for years 2014 through 2018.

**B:** Failure to make an election will result in PLC election starting in 2015 through 2018 and **NO** payments will be made for **2014**.

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## Enrollment of ARC/PLC

### **Annual Enrollment Contract to Participate on a farm**

An enrollment period will be held for:

- 2014 & 2015 completed simultaneously.
- Completed for each year 2014 – 2018.
- Producers can “participate OR not participate” year by year

# U. S. Crop Farm Prices

	2014/15	2015/16	2016/17	2017/18	2018/19
Corn	3.50	3.79	3.91	3.92	3.98
Soybeans	10.00	8.78	9.15	9.50	9.83
Wheat	6.01	5.05	5.15	5.39	5.63
Sorghum	3.50	3.52	3.65	3.70	3.80
Barley	5.07	4.67	4.57	4.63	4.73
Oats	3.26	3.15	3.19	3.19	3.23
Flax	11.93	11.00	11.25	11.50	11.75

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


# U. S. Crop Farm Prices

	2014/15	2015/16	2016/17	2017/18	2018/19
Sunflower Seed	20.25	18.41	18.87	19.80	20.38
Canola	16.38	15.51	16.03	16.76	17.31
Lentils	21.06	18.86	19.28	19.74	20.20
Safflower	23.61	21.79	22.25	22.77	23.29
Mustard Seed	31.66	29.05	29.62	30.31	31.01
Dry Peas	11.72	11.38	11.61	11.96	12.32
Large Chickpeas	28.22	25.09	25.67	26.48	27.31
Small Chickpeas	20.91	18.56	18.99	19.59	20.22

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

## Conclusions: 2014 Farm Bill Decisions

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- Base re-allocation will have the greatest impact on potential payments
  - Base re-allocation and yield update are the landowner's decision
  - Yield update will be significant for most crops
  - Wheat and barley base acres will decline
  - The change from “feed” barley to “all” barley significantly reduces potential payments for barley
  - Payments will likely be greatest the first three years
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# Conclusions: 2014 Farm Bill Decisions

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- There are no right or wrong decisions.
- After 5 years, some producers/landowners will be more satisfied with their decisions than others.