

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


AG LENDERS MEETING

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Yield Update

- 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
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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

Base Reallocation

- 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
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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

Base Reallocation Strategies

1. Safety net
2. Maximum payments

Base Reallocation – Safety Net

Stay with existing bases or choose to reallocate base acres depending on which option aligns more closely with the crops you intend to plant in the future

Base Reallocation – Maximum Payments

Retain old bases or reallocate base acres depending on which option you expect will generate greater payments.

What must happen to trigger payments?

- 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		

Marketing Year Average Barley Price

	All Barley	Feed Barley	Malting Barley
2012	\$6.43	\$5.62	\$6.58
2011	\$5.35	\$4.91	\$5.44
2010	\$3.86	\$3.22	\$4.05
2009	\$4.66	\$2.61	\$5.02
2008	\$5.37	\$3.82	\$5.71
2007	\$4.02	\$4.35	\$3.87

Example Calculations for ARC-County

Soybean												
	Higher of		ARC ³								PLC ⁴	
		MYA &	5-Yr	Cass ND Yld		Revenue				Pmt Rate	Pmt Rate	Pmt Yld
	MYA	\$8.40	Olym Avg ¹		5-Yr				(Guar. -	per Base	Ref. Pr. -	27
Year	Price	Refer. Pr.	MYA	Annual ²	Olym Avg	Benchmrk	Guar.	Actual	Actual)	ac. X .85	(greater of	
2009	9.59	9.59		31.9							MYA &	Pmt per
2010	11.30	11.30		35.5							\$5.00	Base ac.
2011	12.50	12.50		25.9							loan rate)	x .85
2012	14.40	14.40		33.5								
2013	13.00	13.00		32.8								
2014	10.35	10.35	12.27	31.0	32.7	401.23	345.06	320.85	24.21	20.58	(1.95)	-
2015	10.35	10.35	12.27	31.0	32.4	397.55	341.89	320.85	21.04	17.89	(1.95)	-
2016	10.35	10.35	11.95	31.0	31.6	377.62	324.75	320.85	3.90	3.32	(1.95)	-
2017	10.35	10.35	11.23	31.0	31.6	354.87	305.19	320.85	(15.66)	-	(1.95)	-
2018	10.35	10.35	10.35	31.0	31.0	320.85	275.93	320.85	(44.92)	-	(1.95)	-

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.)*
Wheat (all)	6.60	5.67
Soybeans	12.27	10.55
Corn	5.28	4.54
Barley (all)	5.45	4.69
Oats	3.25	2.80
Flax	13.23	11.38

*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.)*
Canola	0.2158	0.1856
Sunflowers (all)	0.2347	0.2018
Dry Peas	0.1367	0.1176
Lentils	0.2383	0.2049
Safflower	0.2275	0.1957
Mustard	0.3327	0.2861
Large Chickpeas	0.3313	0.2849
Small Chickpeas	0.2177	0.1872

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

Wheat – Walsh County

				Estimated Payment per Acre					
Prices				Stable		Rising*		Declining*	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
5.90	5.30	5.90	2014	-0-	-0-	-0-	-0-	-0-	-0-
5.90	6.50	5.70	2015	-0-	-0-	-0-	-0-	3.00	-0-
5.90	6.70	5.50	2016	-0-	-0-	-0-	-0-	9.55	-0-
5.90	7.00	5.30	2017	-0-	-0-	-0-	-0-	-0-	7.31
5.90	7.50	5.20	2018	-0-	-0-	-0-	-0-	-0-	10.97

Barley – Bottineau County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
4.85	4.85	4.85	2014	-0-	4.76	-0-	-0-	-0-	4.76
4.85	4.95	4.75	2015	-0-	4.76	-0-	-0-	-0-	9.52
4.85	5.10	4.50	2016	-0-	4.76	-0-	-0-	7.65	21.42
4.85	5.20	4.25	2017	-0-	4.76	-0-	-0-	16.76	33.34
4.85	5.30	4.00	2018	-0-	4.76	-0-	-0-	13.98	45.22

Canola – Cavalier County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
17.40	17.40	17.40	2014	21.60	38.76	21.60	38.76	21.60	38.76
17.40	17.80	17.00	2015	19.75	38.76	13.51	33.12	25.92	44.39
17.40	18.00	16.00	2016	12.72	38.76	3.42	30.30	32.87	58.49
17.40	18.30	15.00	2017	0.90	38.76	-0-	26.07	31.49	72.58
17.40	18.60	14.00	2018	-0-	38.76	-0-	21.84	31.26	86.67

Sunflower – Emmons County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
20.75	20.75	20.75	2014	31.85	-0-	31.85	-0-	31.85	-0-
20.75	21.00	20.00	2015	28.56	-0-	25.90	-0-	29.08	1.91
20.75	21.30	19.00	2016	8.48	-0-	3.42	-0-	26.74	14.65
20.75	21.50	17.00	2017	-0-	-0-	-0-	-0-	10.12	40.14
20.75	22.00	15.00	2018	-0-	-0-	-0-	-0-	21.73	65.62

Flax – Ward County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
13.00	13.00	13.00	2014	-0-	-0-	-0-	-0-	-0-	-0-
13.00	13.50	12.00	2015	-0-	-0-	-0-	-0-	-0-	-0-
13.00	13.80	11.00	2016	-0-	-0-	-0-	-0-	4.97	4.28
13.00	14.20	10.00	2017	-0-	-0-	-0-	-0-	19.53	19.58
13.00	14.50	9.00	2018	-0-	-0-	-0-	-0-	21.58	34.88

Corn – Barnes County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
3.50	3.50	3.50	2014	51.52	19.72	51.52	19.72	51.52	19.72
3.50	3.70	3.40	2015	52.91	19.72	52.91	-0-	52.91	29.58
3.50	3.90	3.30	2016	47.03	19.72	13.25	-0-	47.03	39.44
3.50	4.20	3.20	2017	-0-	19.72	-0-	-0-	19.76	49.30
3.50	4.50	3.10	2018	-0-	19.72	-0-	-0-	8.22	59.16


Soybeans – Stutsman County

				Estimated Payment per Acre					
Prices				Stable		Rising		Declining	
Stable	Rising	Declining		ARC	PLC	ARC	PLC	ARC	PLC
10.00	10.00	10.00	2014	9.60	-0-	9.60	-0-	9.60	-0-
10.00	10.50	9.50	2015	19.40	-0-	6.71	-0-	31.91	-0-
10.00	11.00	9.00	2016	-0-	-0-	-0-	-0-	24.74	-0-
10.00	11.50	8.50	2017	-0-	-0-	-0-	-0-	20.75	-0-
10.00	12.00	8.00	2018	-0-	-0-	-0-	-0-	4.33	10.20

Estimated Increase in Payment Per Acre from Reallocation of Base Acres with Alternative Price Projections, 2014-2018

Price Trend			
<u>Farm/Crop</u>	<u>Stable</u>	<u>Increasing</u>	<u>Decreasing</u>
Wheat	\$27	\$27	\$35
Barley	\$13	\$10	\$18
Canola	\$47	\$39	\$57
Sunflower	\$15	\$10	\$23
Flax	\$8	\$7	\$12
Corn	\$25	\$18	\$32
Soybean	\$22	\$16	\$28

Conclusions

- ✓ Base re-allocation will have the greatest impact on potential payments
 - ✓ Base re-allocation and yield update are the landowners 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
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Conclusions: 2014 Farm Bill Decisions

There are no right or wrong decisions.

After 5 years, some producers/landowners will be more satisfied with their decisions than others.