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Time to Get Serious About Farm Bill Decisions, Part 2!

AGRI-VIEWS
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Somewhat ironically, the decisions we need to make last, with the 2014 Farm Bill, which part of the program we sign up for, greatly influences whether we reallocate our base acres! There are three options on the farm bill: price loss coverage (PLC), agricultural risk coverage - at the county level (ARC-CO) and agricultural risk coverage - at the individual level (ARC-IC). ARC-IC was really designed for farms in large counties in the northwestern US that basically are in a wheat-fallow rotation. There's lots of paperwork involved and just isn't really going to work well for most producers in our area with three or more crops in their rotation. If you're interested in ARC-IC, come in and talk with me!

PLC is designed to give you price loss coverage. It is triggered solely by marketing year average price (MYA). If MYA drops below the reference price, which is set for the life of this farm bill) then those signed up in PLC will receive a payment based on how far below the reference price the MYA is and what your program yield and base acres for that crop are (times 85%). It doesn't matter what crop you are growing, what you sold your crop for or what your actual yield was. This is based on MYA, which is a national price, your proven yield and your base acres. If you have soybean base acres and the soybean MYA triggered a PLC payment but all you had planted was corn and wheat this year, you'd still get a soybean payment because you had soybean base. There is no per acre limit on this payment.

ARC-CO is based on benchmark revenue at the county level. Every year, USDA develops a new five year average county yield and average MYA price (a national figure). Both of these are Olympic averages meaning that they substitute yields or price if they fall too low, then toss out the high and the low and average the other three. If the county average yield and MYA for that year fall below the benchmark revenue, then there is a payment. However, the payment is capped at 10% of the benchmark revenue. Again, it doesn't matter what you are growing and how good it did that particular year, if the combination of county average yield and MYA are below the benchmark revenue for your county, you will get a payment based on your base acres. There are years that yield could be good but price low and that could trigger a payment. Or yields could be low but price good but not good enough to get you over the benchmark revenue.

We won't know the 2014 MYA price for fall harvested crops until September 29th. Wheat we won't know officially until June 29th, but since the MYA is a weighted average, based on national monthly price and proportion of the crop sold in each month, we can get a pretty good idea of the 2014 wheat MYA and USDA released their first estimates of county average yields in late January. Numbers will still be tweaked and modified some, but as of now, Geary county won't have a wheat ARC-CO payment, but Dickinson, Clay, and Morris will.

Here's the catch in all of this. Sign up for the farm program is for the life of the program. Trying to decide what options will generate the most revenue from payments is based on national prices and county average yields from now through 2018/2019. Nobody knows what's going to happen so it really is a roll of the dice. You need to decide if your biggest concern is extreme price drop and if so, sign up for PLC. If you are looking more at covering shallow losses that occur before crop insurance kicks in, then ARC-CO is for you. With average prices and yields, ARC-CO is more likely to trigger payments. But if the bottom drops out of the market, you'll want PLC. I wish I had a crystal ball!