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Will Planting a Subsequent Crop Penalize Me on a SURE Payment? ¹

Dear Art,

After all your analysis, I have the following question:

If I am in a FSA double crop county, but not a RMA double crop county, will I get penalized on a SURE payment for planting double crop sorghum behind failed wheat (assume I have bought NAP or received NAP relief)?

Wheat Farmer

Dear Farmer,

Yes, assuming subsequent crop is approved by Farm Service Agency for double crop but not by Risk Management Agency.

However, I would suggest farmers with failed wheat and good soil moisture **plant the subsequent crop and bet FSA fixes the problem.** There are just so many unknowns about the level of protection provided by SURE and ACRE that I would rather bet on production. If the subsequent crop does well then farmers will be better off financially even if they don't collect ACRE and SURE. If the wheat was not headed, it is possible

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crop insurance will cover the subsequent crop, which in most cases is grain sorghum. The real hit is on farmers who only raise half of a subsequent crop and the crop is not treated as a ghost crop nor is covered by crop insurance. This is the worst outcome for farmers who chose to plant a subsequent crop.

Noninsured Crop Disaster Assistance Program (NAP) will provide coverage at 50% of yield with 55% of the price and this lower NAP coverage will be averaged with the higher wheat crop insurance coverage effectively lowering the average coverage for SURE. Any subsequent crop production will count against the lower average guarantee and reduce SURE payments. In addition many farmers will not have a yield history for the subsequent crop and will be required to use a very low “double” crop county yield. Planting the subsequent crop this early is effectively not a double crop. It will really hit hard if the subsequent crop produces only half of the FSA “expected” yield.

The real problem with NAP is the coverage is nearly “worthless” when compared with crop insurance. I doubt farmers would pay the NAP fees, if not required for the SURE protection. The rules on SURE are not expected to be published before December, so it is impossible to make a rational decision on payment of NAP fees. I am suggesting one pay the fees, until we find out how well SURE is going to work. While the stated goal by USDA is to reduce farmers’ risk, the unintended consequent is USDA is increasing farmers’ risk because of the lack of information on the farm programs needed to make a rational decision.

Farmers who are in an RMA approved double crop county will likely have higher coverage (assuming they didn’t buy CAT) because crop insurance will cover the subsequent crop and that will increase the average coverage for SURE. The production from the second crop will count against the SURE guarantee but the coverage will be higher and likely with farmers’ average yields rather than “T” yields.

Farmers who plant a subsequent crop not approved by either RMA or FSA for double crop will have the subsequent crop treated as a ghost crop. Dryland corn is the only crop that is not approved in any Kansas county for double crop by either RMA or FSA. If possible, planting a non-approved double crop is the best option.

There is one exception in Oklahoma. Based on current numbers I am expecting a “large” ACRE payment on Oklahoma wheat because of the low state yield (possibly Texas too). The ACRE payment is deducted from the SURE guarantee and will eliminate any SURE payment, assuming a large ACRE payment and the farm is under the payment limit. Therefore, Oklahoma farmers could plant grain sorghum and elect ACRE. Then it will not matter if the grain sorghum is a ghost crop. However, this is not true for Kansas because I am currently expecting no ACRE payment on Kansas wheat. Currently the wheat market is over \$7 at the start of the new marketing year. If this market holds, those higher prices will reduce any ACRE and CRC/RA payments. The market may change before the August 14 ACRE signup date, therefore I see no reason to signup early for ACRE. However, I would submit records for proving ACRE yields and get signatures from landlords so that I am ready to enroll in ACRE.

I don't think the ACRE option is likely to work for Kansas and it will not work for all of Oklahoma either. In parts of Oklahoma with dryland wheat and irrigated corn, the corn may dominate the numbers and eliminate the ACRE payment. Those farmers then have the same problem as Kansas farmers.

Because the rules for SURE are not published and ACRE depends on a price and yield forecast, is the reason one will likely want to bet on producing a subsequent crop. With hindsight this may be the wrong decision, but farmers with production are always better off regardless of price or public policy.

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