



www.agmanager.info
abarnaby@agecon.ksu.edu
(785) 532.1515 (phone)
(785) 532.6925 (fax)

G.A. "Art" Barnaby Jr.

Copyright 2009. All rights reserved. Contact Art to be added to e-mail list

Disclaimer: This web page is designed to aid farmers with their marketing and risk management decisions. The risk of loss in trading futures, options, forward contracts, and hedge-to-arrive can be substantial and no warranty is given or implied by the author or any other party. Each farmer must consider whether such marketing strategies are appropriate for his or her situation. This web page does not represent the views of Kansas State University.

The following article on subsequent crops planted after failed crops was authored by Oklahoma State University professor, Dr. Rodney Jones. KSU is reprinting the paper with Dr. Jones' permission.

Weigh Cropping Choices Following Wheat or Failed Wheat Carefully

Rodney Jones, Ph.D.
OCES Area Agricultural Economics Specialist

Recent moisture combined with weather damaged wheat have many producers considering either destroying failed wheat and planting a second crop, or planting a double crop following harvest. Several common alternatives such as grain sorghum, soybeans, and sunflowers have the potential to yield returns above the cost of putting in the crop (seed, fertilizer, machinery operations, etc.). However, producers need to be aware of possible interactions between cropping decisions and potential FSA farm program payments, specifically from the Supplemental Revenue Assistance (SURE) permanent disaster program.

I assume that most of North Central and Northwestern Oklahoma will become "SURE eligible" due to Agricultural Secretary disaster declaration, though that has not happened yet. Wheat crop revenue will most certainly come in below the SURE guarantee for most Oklahoma producers who have purchased the common types of crop insurance, thus triggering a potential SURE payment (to be eligible for any potential SURE payment should one be triggered, a producer must essentially have all crops planted for mechanical harvest covered by either crop insurance, or Noninsured Crop Disaster Assistance (NAP) coverage). SURE eligible wheat producers may receive a significant

SURE payment for the 2009 crop. Caution is warranted, as decisions made now could either 1) make a producer ineligible for the SURE program all together, or 2) reduce any potential wheat SURE payment by more than any offsetting revenue from alternative cropping decisions.

SURE eligible producers need to clarify how FSA in their county will treat the crops they are considering planting under their conditions (on truly failed wheat, or as a true double crop following harvested wheat). Rules vary by county and by crop depending on whether the particular crop has been identified as a normal double cropping practice in the county. In some instances crops may be considered a “ghost” crop for SURE purposes (treated as if it did not exist). In other situations FSA has announced that they will consider applications for relief, which if granted would allow the producer to remain SURE eligible even though the NAP purchase deadline has passed. Work with your local FSA office to determine how the practice you are considering will impact SURE eligibility; however, the decision process does not stop there.

If you and FSA determine that planting the considered crop will make you ineligible for SURE, seriously consider foregone potential wheat payments in your decision. If you currently have NAP coverage for the second crop, or if you and FSA determine that you will likely be granted relief, you still need to consider the economic impacts. The coverage level for NAP is 50% of yield history, which will be FSA county yields where individual yield history is not available. A county yield of 36 bushels per acre for grain sorghum, for example, would provide a SURE revenue guarantee amounting to approximately 22 bushels per acre. Revenue generated by the subsequent crop above the guarantee (higher yields) reduces the potential SURE payment on wheat (60 cents for every dollar). The subsequent crop must not only cover production costs, but must make up for the forgone SURE payment as well. In the grain sorghum example from above, assuming production costs of around \$140.00 per acre and using current price forecasts the crop would have a “breakeven” yield of slightly under 40 bushels per acre if it could be planted as a ghost crop, but would need to yield nearly 70 bushels per acre to breakeven if reduced wheat SURE payments need to be factored in. The bottom line, before planting a subsequent crop following wheat, check with your local FSA office regarding SURE eligibility considerations, and carefully consider the overall economic ramifications.