1. The 2014 Farm Bill: The Nuts and Bolts of the Program and Making the Decision

Art Barnaby <barnaby@ksu.edu>

Dr. Art Barnaby was raised on a diversified farm, located in Elk County, Kansas. Art received his B.S. degree from Fort Hays State University, M.S. from New Mexico State University and a Ph.D. in Agricultural Economics from Texas A&M University. Art joined the Agricultural Economics faculty in 1979. He currently holds the rank of Professor.Art conducts national extension education programs on market risk, government commodity programs, crop insurance and public policy. Art was 1 of 30 people who were named on Top Producer Editors' list of "Brave Thinkers: 30 Leaders Who Made a Difference" and on their list of "7 Economists, Bankers Who Challenged the Status Quo". He has authored several research projects on crop insurance issues and their impacts on farmers. His research work with the private sector was the basis for the first revenue insurance contract. Art is an author on the KSU Risk Management page on www.agmanager.info. Art is a past winner of the Excellence in Extension Award that included a $5,000 honorarium presented by the National Association of Public and Land Grant Universities. He is also a three time winner of the American Agricultural Economics Association Distinguished Extension Program Award. Art is a frequent speaker at professional, farmer-producer, ag lender, and insurance industry meetings. Art's wife, Nancy, holds a B.S. degree from Fort Hays State University in Nursing. Art and Nancy have two sons and two granddaughters.

Mykel Taylor <mtaylor@k-state.edu>

Mykel Taylor joined the Department of Agricultural Economics as an Assistant Professor in 2011. Her research and extension programs are focused in the areas of crop marketing and farm management. She grew up on a cattle ranch in Montana and attended Montana State University majoring in Agribusiness Management. Her PhD in Economics is from North Carolina State University. Mykel has worked in extension positions at both Kansas State University and Washington State University. Some of her current research areas include measuring basis risk for commodity grains, understanding the implications of food safety and country of origin labeling on meat demand, and estimating land values for crop and pasture land in Kansas.

Abstract/Summary

Under most conditions, the highest expected payment will depend on a long-range price forecast. By the time of the Risk and Profit Conference, nearly 3 months of the 2014/15 Marketing Year Average (MYA) wheat price will be completed. As a result, we will have a good estimate for the 2014/15 MYA wheat price that will determine the level of ARC payments and PLC payments. As of now, there appears to be little chance for a 2014 PLC payment on wheat and ARC will likely require some yield loss to trigger payments. Clearly there are some Kansas counties that have a high probability of an ARC wheat payment, but enrollment in ARC eliminates adding the Supplemental Coverage Option (SCO) that provides additional crop insurance. This presentation will also cover feed grains and soybeans, but the Marketing Year prices lag behind wheat. Dr. Taylor will follow this discussion with the use of a computer decision aid that will help farmers sort through all of these options to help them make a decision and to explain that decision to their landlords.

2014 Commodity Programs and Supplemental Coverage Option

by

Dr. G. Art Barnaby, Jr.

Professor, Agricultural Economics.

Kansas State University

Risk & Profit Conference

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Kansas State University

Manhattan, Kansas

Email: barnaby@ksu.edu

Phone 785.532.1515

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Disclaimer

1. Analysis is based on my reading of the Managers Report and the Law. It also includes my crop insurance experience and communications with Washington decision makers. There is no "one size fits all" program and farmers will have to make financial decisions that carry risk of a financial loss or gain. This analysis carries no warranty given or implied by Kansas State University or the author.

2. Many of the results will not be known until USDA publishes the implementation regulations for the new farm programs. Signup is unlikely until this fall or early winter.

Summary of Safety Net Programs in Farm Bill

1. Price Loss Coverage (PLC) "Similar to Counter Cyclical program with target prices."

2. Agriculture Risk Coverage (ARC) "Similar to ACRE but county yields rather than state yields, and no caps on coverage, but the crop's reference price serves as a cup on the MYA price used to set ARC coverage. However, ARC has a 10% stop loss (25% in ACRE).

3. Supplemental Coverage Option (SCO) "Similar to Area Risk Protection (ARP; old GRIP) crop insurance coverage and SCO is under crop insurance rules."

4. Stacked Income Protection Plan (STAX) for upland cotton "Similar to ARP (old GRIP) crop insurance coverage and STAX is under crop insurance rules."

FSA Free "Puts", Price loss coverage payments if price is less than reference price

Strike Prices

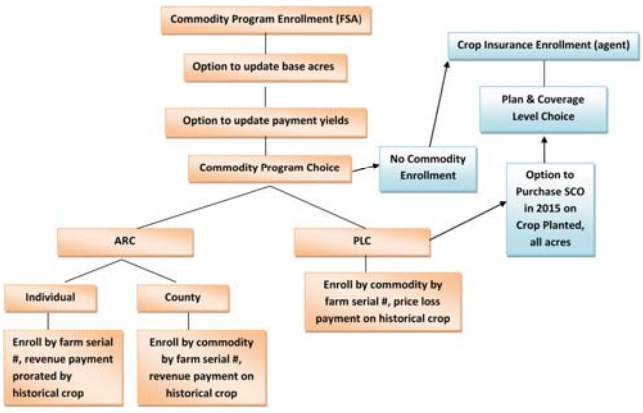
1. Wheat, $5.50 per bushel
2. Corn, $3.70 per bushel
3. Grain sorghum, $3.95 per bushel
4. Soybeans, $8.40 per bushel
5. Other oilseeds, $20.15 per hundred weight
6. Barley, $4.95 per bushel
7. Oats, $2.40 per bushel
8. Long grain rice, $14.00 per hundred weight
9. Medium grain rice, $14.00 per hundred weight
10. Peanuts $535.00 per ton
11. Dry peas, $11.00 per hundredweight
12. Lentils, $19.97 per hundredweight
13. Small chickpeas, $19.04 per hundred weight
14. Large chickpeas, $21.54 per hundred weight

Nonrecourse Marketing Loan Rates

Strike Prices

1. Wheat, $2.94 per bushel
2. Corn, $1.95 per bushel
3. Grain sorghum, $1.95 per bushel
4. Soybeans, $5.00 per bushel
5. Other oilseeds, $10.09 per hundredweight
6. Barley, $1.95 per bushel
7. Oats, $1.39 per bushel
8. Upland cotton, simple average world price, s.t. Min 47 cent; max 52 cents/lb
9. Extra long staple cotton, $0.7977 per pound
10. Long grain rice, $6.50 per hundred weight
11. Medium grain rice, $6.50 per hundred weight
12. Dry peas, $5.40 per hundred weight
13. Lentils, $11.28 per hundred weight
14. Small chickpeas, $7.43 per hundredweight
15. Large chickpeas, $11.28 per hundredweight
16. Graded wool, $1.15 per pound
17. Case of non-graded wool, $0.40 per pound
18. Case of mohair, $4.20 per pound
19. Honey, $0.69 per pound
20. Peanuts, $355 per ton

Farmer Decision on New Commodity and Insurance Programs



*Source: Adopted from slide provide byDr. Jody Campiche, Assistant Professor and Extension Economist, Oklahoma State University

Price Loss Coverage (PLC)

Guarantee	Farm Level (No Yield Effect)
Reference price	Set by Law ("Target Price")
Benchmark Yield	Updated Program Yields = 90% of "Average" Yields for 2008-2012
Guarantee	Reference Price
Actual Price	MYA price
Payment per Acre	(Ref Price - Max (MYA, Loan Rate)) X Updated Program Yield
Payment Acres	85% of Base Acres
Program Selection	1 Time Select ARC or PLC + SCO
Payment Limit	$125K for Title I programs, ARC, PLC, LDP, MLG, No limit for SCO

Agriculture Risk Coverage (ARC)

Guarantee	County Revenue; (Whole Farm Revenue)
Reference Price	5 year Olympic Average Max (MYA, Statute Price)
Benchmark Yield	Expected County Yield (Farm Yield if whole Farm level ARC)
Benchmark Revenue	Ref Price X Benchmark Yield
Benchmark Guarantee	86% X Ref Price X Benchmark Yield
Actual Revenue	County Yield X MYA Price
Payment per Acre	Guarantee - County Revenue; (Whole farm level ARC, farm yields)
Payment Acres	85% X Base Acres (30% for PP) for County ARC; (Base X 65% for Whole Farm level ARC)
Program Selection	1 time Select ARC or PLC + SCO
Payment Limit	$125K for Title I programs, ARC, PLC, LDP, MLG, No limit for SCO
Max Payment	10% X Benchmark Revenue

Comparing the 2014 MYA Reference Price for 2014 ARC vs. PLC Statute Price for Wheat

Est. MYA Year	14/15	Est Wt.	$ Last Month	Final 'Wt. Price	Final 13/14 MYA
June	6.49	13.0	$6.51	8.4	7.37
July	6.10	19.3	$6.43	19.1	6.95
Forecasted August	5.98	13.3		13.4	6.88
Forecasted September	6.12	9.1		11.3	6.80
Forecasted October	6.12	6.3		8.0	6.94
Forecasted November	6.12	4.9		4.0	6.85
Forecasted December	6.19	6.6		5.7	6.73
Forecasted January 1	6.19	7.6		7.7	6.65
Forecasted February	6.19	5.2		6.4	6.50
Forecasted March	6.23	6.0		8.4	6.74
Forecasted April	6.23	4.6		4.9	6.82
Forecasted May	6.14	4.1		2.7	7.08
Forecasted 14/15 MYA price			$6.51	$6.17	
MYA Price 13/14				$6.87	
MYA Price 12/13				$7.77	
MYA Price 11/12				$7.24	
MYA Price 10/11				$5.70	
Statute, Min MYA Price 09/10				~~$5.50~~	
5 Yr. Olympic Average Reference Price for 2014 ARC				$6.60	
ARC 14% Deductible				~~$5.68~~	
Est. 5 Yr. Olympic Average Reference Price for 2015 ARC				$6.60	to $6.76
PLC Reference Price & Difference				$5.50	$0.18

Comparing the 2014 MYA Reference Price for 2014 ARC vs. PLC Statute Price for Corn

MYA Year	13/14	Est Wt.	$ Last Month	Wt. Price	14/15 MYA
September	5.40	7.34		0.3964	0.2675
October	4.61	12.54		0.5781	0.4571
November	4.35	11.34		0.4933	0.4133
December	4.41	9.00		0.3969	0.3386
January 1	4.42	13.80		0.6100	0.5191
February	4.35	6.84		0.2975	0.2573
March	4.51	8.34		0.3761	0.3204
April	4.71	5.98		0.2817	0.2297
May	4.71	6.10		0.2873	0.2388
June	4.49	6.24	$4.34	0.2802	0.2443
July	3.80	6.60	$3.93	0.2508	0.2629
Forecasted August	3.56	5.88	$3.93	0.2093	0.2343
Forecasted 13/14 & 14/15 MYA price			$4.48	$4.46	3.78
MYA Price 12/13				$6.89	
MYA Price 11/12				$6.22	
MYA Price 10/11				$5.18	
Statute, MYA Price 09/10				~~$3.70~~	
5 Yr. Olympic Average Reference Price for 2014 ARC			$5.32	$5.29	
ARC 14% Deductible				$4.55	
Est. 5 Yr. Olympic Average Reference Price for 2015 ARC				$5.29	to $5.29
PLC Reference Price & Difference				$3.70	$0.85

Comparing the 2014 MYA Reference Price for 2014 ARC vs. PLC Statute Price for Sorghum

MYA Year	13/14	Est Wt.	$ Last Month	Wt. Price	14/15 MYA
September	4.54	5.50		0.2495	0.2008
October	4.31	11.30		0.4866	0.4126
November	4.13	15.80		0.6530	0.5769
December	4.19	13.36		0.5596	0.5034
January 1	4.21	10.54		0.4439	0.3972
February	4.28	5.00		0.2142	0.1884
March	4.61	6.16		0.2842	0.2370
April	4.79	3.86		0.1848	0.1485
May	4.60	3.80		0.1747	0.1490
June	4.22	4.32	$4.11	0.1822	0.1694
July	4.01	10.28	$3.93	0.4122	0.4103
Forecasted August	3.57	10.08	$3.93	0.3595	0.4023
Forecasted 13/14 & 14/15 MYA price			$4.23	$4.20	3.80
MYA Price 12/13				$6.33	
MYA Price 11/12				$5.99	
MYA Price 10/11				$5.02	
Statute, MYA Price 09/10				$3.95	
5 Yr. Olympic Average Reference Price for 2014 ARC				$5.07	
ARC 14% Deductible				$4.36	
Est. 5 Yr. Olympic Average Reference Price for 2015 ARC				$5.07	to $5.07
PLC Reference Price & Difference				$3.95	$0.41

Comparing the 2014 MYA Reference Price for 2014 ARC vs. PLC Statute Price for Soybeans

MYA Year	13/14	Est Wt.	$ Last Month	Wt. Price	14/15 MYA
September	13.30	7.14		0.9496	0.7592
October	12.50	23.60		2.9500	2.5095
November	12.70	10.28		1.3056	1.1007
December	13.00	8.76		1.1388	0.9380
January 1	12.90	15.66		2.0201	1.6873
February	13.20	7.28		0.9610	0.7844
March	13.70	6.64		0.9097	0.7197
April	14.30	5.54		0.7922	0.6005
May	14.40	4.12		0.5933	0.4492
June	14.40	3.98	$14.10	0.5731	0.4339
July	12.70	4.04	$10.88	0.5131	0.4387
Forecasted August	10.87	2.96	$10.88	0.3218	0.3170
Forecasted 13/14 & 14/15 MYA price			$13.14	$13.03	10.74
MYA Price 12/13				$14.42	
MYA Price 11/12				$12.50	
MYA Price 10/11				$11.30	
MYA Price 09/10				$9.59	
5 Yr. Olympic Average Reference Price for 2014 ARC				$12.28	
ARC 14% Deductible				$10.56	
Est. 5 Yr. Olympic Average Reference Price for 2015 ARC				$12.28	to $12.28
PLC Reference Price & Difference				$8.40	$2.16

Compare Corn ARC vs. PLC Payments under Different Yield and Price Scenarios

			ARC	PLC
5 Yr. Olympic Avg. County/Prog. yield/APH			140	140
5 Yr. Olympic Avg. MYA (Est. Corn Reference Price)			$5.29	N/A
Reference Revenue/Price/Crop Ins. Price			$741	$3.70

% Price Loss	MYA Price/ Pymt Yr	% Yd loss Yield	(41%) 83	(34%) 92	(27%) 102	(19%) 113	(10%) 126	% 140	10% 154	20% 168
		PLC Pymt	<----------ARC Payment---------->							
20%	$6.35	$0.00	$74.06	$53.83	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
10%	$5.82	$0.00	$74.06	$74.06	$43.03	$0.00	$0.00	$0.00	$0.00	$0.00
%	$5.29	$0.00	$74.06	$74.06	$74.06	$37.03	$0.00	$0.00	$0.00	$0.00
(3%)	$5.16	$0.00	$74.06	$74.06	$74.06	$52.03	$0.00	$0.00	$0.00	$0.00
(5%)	$5.03	$0.00	$74.06	$74.06	$74.06	$66.65	$3.29	$0.00	$0.00	$0.00
(7%)	$4.90	$0.00	$74.06	$74.06	$74.06	$74.06	$19.13	$0.00	$0.00	$0.00
(14%)	$4.55	$0.00	$74.06	$74.06	$74.06	$74.06	$63.69	$0.00	$0.00	$0.00
(18%)	$4.34	$0.00	$74.06	$74.06	$74.06	$74.06	$74.06	$28.66	$0.00	$0.00
(22%)	$4.15	$0.00	$74.06	$74.06	$74.06	$74.06	$74.06	$56.03	$0.00	$0.00
(25%)	$3.96	$0.00	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$26.70	$0.00
(28%)	$3.78	$0.00	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$54.16	$1.18
(32%)	$3.61	$12.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$29.79
(35%)	$3.45	$34.83	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$57.11
(38%)	$3.30	$56.57	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06
(40%)	$3.17	$74.20	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06
(43%)	$3.03	$94.17	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06
(45%)	$2.89	$113.24	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06	$74.06

Compare Wheat ARC vs. PLC Payments under Different Yield and Price Scenarios

			ARC	PLC
5 Yr. Olympic Avg. County/Prog. yield/APH			35	35
5 Yr. Oly. Avg. MYA (Final Wheat Reference Price)			$6.60	N/A
Reference Revenue/Price/Crop Ins. Price			$231	$5.50

% Price Loss	MYA Price/ Pymt Yr	% Yd loss Yield	(41%) 21	(34%) 23	(27%) 26	(19%) 28	(10%) 32	% 35	10% 39	20% 42
		PLC Pymt	<----------ARC Payment---------->							
20%	$7.92	$0.00	$23.10	$16.79	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
10%	$7.26	$0.00	$23.10	$23.10	$13.42	$0.00	$0.00	$0.00	$0.00	$0.00
%	$6.60	$0.00	$23.10	$23.10	$23.10	$11.55	$0.00	$0.00	$0.00	$0.00
(3%)	$6.44	$0.00	$23.10	$23.10	$23.10	$16.23	$0.00	$0.00	$0.00	$0.00
(5%)	$6.27	$0.00	$23.10	$23.10	$23.10	$20.79	$1.03	$0.00	$0.00	$0.00
(7%)	$6.12	$0.00	$23.10	$23.10	$23.10	$23.10	$5.97	$0.00	$0.00	$0.00
(14%)	$5.68	$0.00	$23.10	$23.10	$23.10	$23.10	$19.87	$0.00	$0.00	$0.00
(16%)	$5.56	$0.00	$23.10	$23.10	$23.10	$23.10	$23.10	$3.97	$0.00	$0.00
(17%)	$5.45	$1.71	$23.10	$23.10	$23.10	$23.10	$23.10	$7.87	$0.00	$0.00
(19%)	$5.34	$5.52	$23.10	$23.10	$23.10	$23.10	$23.10	$11.68	$0.00	$0.00
(21%)	$5.24	$9.26	$23.10	$23.10	$23.10	$23.10	$23.10	$15.42	$0.00	$0.00
(22%)	$5.13	$12.93	$23.10	$23.10	$23.10	$23.10	$23.10	$19.09	$1.13	$0.00
(24%)	$5.03	$16.52	$23.10	$23.10	$23.10	$23.10	$23.10	$22.68	$5.08	$0.00
(27%)	$4.84	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$12.32	$0.00
(28%)	$4.74	$26.49	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$16.05	$0.00
(30%)	$4.65	$29.81	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$19.70	$3.43
(31%)	$4.56	$33.06	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$7.33

Compare Sorghum ARC vs. PLC Payments under Different Yield and Price Scenarios

			ARC	PLC
5 Yr. Olympic Avg. County/Prog. yield/APH			70	70
5 Yr. Oly. Avg. MYA (Est. Sorghum Reference Price)			$5.07	N/A
Reference Revenue/Price/Crop Ins. Price			$355	$3.95

% Price Loss	MYA Price/ Pymt Yr	% Yd loss Yield	(41%) 41	(34%) 46	(27%) 51	(19%) 57	(10%) 63	% 70	10% 77	20% 84
		PLC Pymt	<----------ARC Payment---------->							
20%	$6.08	$0.00	$35.49	$25.79	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
10%	$5.58	$0.00	$35.49	$35.49	$20.62	$0.00	$0.00	$0.00	$0.00	$0.00
%	$5.07	$0.00	$35.49	$35.49	$35.49	$17.74	$0.00	$0.00	$0.00	$0.00
(3%)	$4.92	$0.00	$35.49	$35.49	$35.49	$26.37	$0.00	$0.00	$0.00	$0.00
(6%)	$4.77	$0.00	$35.49	$35.49	$35.49	$34.73	$4.68	$0.00	$0.00	$0.00
(9%)	$4.63	$0.00	$35.49	$35.49	$35.49	$35.49	$13.70	$0.00	$0.00	$0.00
(14%)	$4.36	$0.00	$35.49	$35.49	$35.49	$35.49	$30.52	$0.00	$0.00	$0.00
(19%)	$4.10	$0.00	$35.49	$35.49	$35.49	$35.49	$35.49	$18.31	$0.00	$0.00
(24%)	$3.85	$6.81	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$8.56	$0.00
(29%)	$3.62	$22.99	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$26.36	$1.01
(33%)	$3.40	$38.20	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$19.26
(37%)	$3.20	$52.50	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49
(41%)	$3.01	$65.94	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49
(44%)	$2.83	$78.58	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49
(48%)	$2.66	$90.45	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49
(51%)	$2.50	$101.61	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49
(54%)	$2.35	$112.11	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49	$35.49

Compare Soybean ARC vs. PLC Payments under Different Yield and Price Scenarios

			ARC	PLC
5 Yr. Olympic Avg. County/Prog. yield/APH			40	40
5 Yr. Oly. Avg. MYA (Est. Soybean Reference Price)			$12.28	N/A
Reference Revenue/Price/Crop Ins. Price			$491	$8.40

% Price Loss	MYA Price/ Pymt Yr	% Yd loss Yield	(41%) 24	(34%) 26	(27%) 29	(19%) 32	(10%) 36	% 40	10% 44	20% 48
		PLC Pymt	<----------ARC Payment---------->							
20%	$14.74	$0.00	$49.12	$35.70	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
10%	$13.51	$0.00	$49.12	$49.12	$28.54	$0.00	$0.00	$0.00	$0.00	$0.00
%	$12.28	$0.00	$49.12	$49.12	$49.12	$24.56	$0.00	$0.00	$0.00	$0.00
(5%)	$11.73	$0.00	$49.12	$49.12	$49.12	$42.46	$0.25	$0.00	$0.00	$0.00
(9%)	$11.20	$0.00	$49.12	$49.12	$49.12	$49.12	$19.24	$0.00	$0.00	$0.00
(13%)	$10.70	$0.00	$49.12	$49.12	$49.12	$49.12	$37.39	$0.00	$0.00	$0.00
(14%)	$10.56	$0.00	$49.12	$49.12	$49.12	$49.12	$42.24	$0.00	$0.00	$0.00
(18%)	$10.03	$0.00	$49.12	$49.12	$49.12	$49.12	$49.12	$21.12	$0.00	$0.00
(22%)	$9.53	$0.00	$49.12	$49.12	$49.12	$49.12	$49.12	$41.19	$3.06	$0.00
(26%)	$9.05	$0.00	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$24.03	$0.00
(30%)	$8.60	$0.00	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$43.95	$9.54
(33%)	$8.17	$9.13	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$30.19
(37%)	$7.76	$25.47	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12
(40%)	$7.38	$41.00	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12
(42%)	$7.17	$49.20	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12
(45%)	$6.81	$63.54	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12
(47%)	$6.47	$77.16	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12	$49.12

PLC VS. ARC

1. PLC on wheat and soybeans is unlikely to pay in first year.
2. The spread in PLC and ARC sorghum strike prices is less than it is for corn.
3. Corn will need a lower MYA price than current levels to trigger PLC payments.
4. Higher program yields increase the PLC.
5. Major price dropped ($2.50 corn) makes for a large PLC payment.
6. Large PLC payments will have less value for large farms because of the $125,000 payment limit.

PLC VS. ARC

6. Large Farmers may want to put enough corn acres in to ARC to max out the $125K payment limit and the balance of their corn and soybean acres in PLC, i.e. hedge their bets.
7. Crop insurance requires all acres by crop in a county be insured. However, under SCO this rule is relaxed so farmers can buy SCO on acres in the county that are not enrolled in ARC. In the example below only the wheat planted on wheat base enrolled in ARC would not be eligible for SCO.
   a) Wheat planted on wheat base acres enrolled in ARC
   b) Under a different Farm Serial number wheat planted on wheat base enrolled in PLC
   c) Wheat planted on acres with no base
   d) Wheat planted on sorghum base and the sorghum is enrolled in PLC.

ARC-county VS. ARC-individual

1. The farm level yields are likely more variable, but a really low farm yield will not increase the payment because of the 10% stop loss.
2. County yields are less variable so it is less likely that yields will exceed the average by a large percentage and reduce or eliminate the payment.
3. All crops planted on a farm serial number are combined together when calculating the revenue to count against the ARC-individual guarantee.
4. All revenue is combined from all farm serial numbers enrolled in ARC-individual and will count against the guarantee.
5. ARC-county pays on 85% of base acres vs. 65% for ARC-individual.

Delayed Crop Insurance

1. Crop insurance is a "premium cost" share program vs. a "free" traditional FSA cash transfer program.
2. There is no transfer of cash from crop insurance to farmers unless there is a claim.
3. Wheat farmers should not cut their crop insurance coverage, but should add SCO. They will have additional time to look at the market before making a decision. They can cancel their SCO by acreage reporting date and pay no premium. If they enter the ARC program next spring they will be out of the SCO coverage and will owe 20% of the premium.

Delayed Crop Insurance

1. Crop insurance has become the major safety net.
2. If crop insurance is going to be the core safety net, then the declining APH issue will need to be addressed.
3. The Senate version of the Farm Bill increased the plug yield from 60%-T to 65% T-yield and House increased it to 70%. This provision would increase the APH for all farmers including those "who plant with the seed box empty".
4. The Conference Committee substituted an area yield trigger rather than adopting the House version increasing the plug to a 70% T-yield. This produced a lower CBO cost estimate vs. 70% T-yield.
5. If the county suffers a 50% Yield loss, then farmers can exclude their yield from the APH.

Summary of Illinois Counties with a 50% Corn Yield Loss for years 1980-2013

Obs.	Year	County	Planted Yield	10 Yr. Moving Avg.	% Difference from 10 Yr. Avg.
1	2012	ADAMS	72.2	149.6	(51.73%)
2	2012	ALEXANDER	37.2	133.0	(72.04%)
3	2012	BOND	30.7	129.9	(76.38%)
4	2012	CLARK	50.3	150.4	(66.53%)
5	2012	CLAY	12.6	123.0	(89.76%)
6	2012	CLINTON	22.7	131.0	(82.64%)
7	2012	CRAWFORD	33.4	140.4	(76.20%)
8	2012	CUMBERLAND	33.2	150.6	(77.98%)
9	2012	EDWARDS	37.4	126.8	(70.54%)
10	2012	EFFINGHAM	41.1	145.1	(71.66%)
11	2012	FAYETTE	27.5	132.3	(79.19%)
12	2012	FORD	62.6	163.8	(61.76%)
13	2012	FRANKLIN	28.3	112.1	(74.78%)
14	2012	HAMILTON	29.6	125.8	(76.46%)
15	2012	HARDIN	46.8	114.8	(59.24%)
16	2012	JACKSON	33.2	125.6	(73.55%)
17	2012	JASPER	26.2	140.3	(81.33%)
18	2012	JEFFERSON	14.6	111.0	(86.85%)
19	2012	JOHNSON	37.2	119.0	(68.74%)
20	2012	LAWRENCE	47.2	134.5	(64.90%)
21	2012	LIVINGSTON	81.3	167.7	(51.53%)
22	2012	MADISON	51.5	139.9	(63.20%)
23	2012	MARION	14.3	127.4	(88.80%)
24	2012	MASSAC	54.9	126.1	(56.47%)
25	2012	MONTGOMERY	70.8	156.0	(54.64%)
26	2012	PERRY	20.7	107.0	(80.61%)
27	2012	POPE	46.6	123.9	(62.39%)
28	2012	PULASKI	62.3	136.7	(54.39%)
29	2012	RANDOLPH	42.4	115.3	(63.20%)
30	2012	RICHLAND	15.2	123.8	(87.68%)
31	2012	SALINE	45.1	131.1	(65.60%)
32	2012	SCHUYLER	74.1	157.2	(52.87%)
33	2012	SHELBY	70.0	156.8	(55.38%)
34	2012	ST CLAIR	54.8	136.6	(59.89%)
35	2012	UNION	51.1	127.7	(60.00%)
36	2012	WABASH	48.7	134.4	(63.75%)
37	2012	WASHINGTON	15.6	122.2	(87.20%)
38	2012	WAYNE	32.2	124.4	(74.16%)
39	2012	WHITE	67.6	134.9	(49.87%)
40	2012	WILLIAMSON	30.9	117.0	(73.58%)

Summary of Kansas Counties with a 50% Wheat Yield Loss for years 1980-2013

Year	County	Planted Yield	10 Yr. Moving Avg.	% Difference from 10 Yr. Avg.
2013	CLARK	7.9	28.3	(72.00%)
2013	GREELEY	5.1	29.4	(82.84%)
2013	HAMILTON	4.5	26.6	(83.10%)
2013	KEARNY	15.0	32.6	(53.87%)
2013	MEADE	16.0	32.3	(50.49%)
2013	MORTON	9.6	26.8	(64.25%)
2013	NORTON	15.9	35.5	(55.12%)
2013	RAWLINS	13.1	36.7	(64.21%)
2013	SHERMAN	7.2	34.7	(79.22%)
2013	STANTON	17.4	35.5	(51.05%)
2013	THOMAS	16.8	35.0	(51.99%)
2013	WICHITA	18.1	37.6	(51.70%)
2011	MORTON	9.7	28.3	(65.69%)
2011	NESS	12.6	32.8	(61.43%)
2010	JEFFERSON	21.7	44.1	(50.79%)
2007	ALLEN	6.5	37.0	(82.51%)
2007	ANDERSON	15.6	41.4	(62.40%)
2007	BARBER	9.1	33.2	(72.66%)
2007	BARTON	18.6	37.5	(50.40%)
2007	BOURBON	16.3	38.0	(57.03%)
2007	BUTLER	13.4	36.3	(63.09%)
2007	CHASE	16.4	35.6	(53.93%)
2007	CHAUTAUQUA	2.3	30.6	(92.45%)
2007	CHEROKEE	8.5	41.3	(79.38%)
2007	COWLEY	5.2	34.7	(85.10%)
2007	CRAWFORD	9.0	37.8	(76.10%)
2007	DICKINSON	16.4	43.6	(62.44%)
2007	DONIPHAN	23.0	48.1	(52.16%)
2007	ELK	5.1	30.1	(83.01%)
2007	ELLSWORTH	17.9	41.4	(56.80%)
2007	FRANKLIN	14.8	40.9	(63.89%)
2007	GEARY	18.3	46.0	(60.14%)
2007	GREENWOOD	11.3	36.6	(69.06%)
2007	HARPER	8.1	34.2	(76.34%)
2007	HARVEY	10.6	43.4	(75.55%)
2007	JACKSON	20.6	44.5	(53.60%)
2007	KINGMAN	6.0	36.9	(83.82%)
2007	LABETTE	3.4	36.5	(90.58%)
2007	LEAVENWORTH	17.9	39.9	(55.04%)
2007	LINN	14.3	39.3	(63.45%)

Hamilton County, KS Wheat Yields

Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average
1937	167	37	0.2	7.1	(96.9%)	1963	158	810	5.1	13.3	(61.2%)	1989	167	3,678	22.0	26.0	(15.7%)
1938	72	139	1.9	5.7	(72.6%)	1964	164	720	4.4	13.6	(66.9%)	1990	161	5,774	35.9	26.6	38.0%
1939	97	276	2.9	4.8	(49.4%)	1965	185	594	3.2	13.2	(76.4%)	1991	158	4,470	28.3	27.7	06.3%
1940	72	260	3.6	3.9	(24.1%)	1966	190	2,268	11.9	14.3	(9.9%)	1992	163	4,638	28.5	28.2	02.7%
1941	93	839	9.1	2.9	133.6%	1967	205	1,122	5.5	14.7	(61.6%)	1993	165	6,824	41.4	29.6	46.7%
1942	106	2,190	20.7	4.3	621.4%	1968	192	540	2.8	13.1	(80.9%)	1994	157	4,630	29.5	29.7	(0.2%)
1943	118	1,879	15.9	5.8	270.3%	1969	170	3,499	20.6	12.4	57.4%	1995	153	2,976	19.5	28.6	(34.6%)
1944	102	845	8.3	6.4	43.3%	1970	167	5,668	33.9	12.4	173.1%	1996	144	1,159	8.0	26.8	(71.8%)
1945	134	3,874	28.9	9.3	349.7%	1971	174	5,198	29.9	13.3	140.0%	1997	166	5,605	33.8	26.8	26.1%
1946	121	1,050	8.7	10.0	(6.8%)	1972	192	4,186	21.8	13.9	64.5%	1998	150	8,178	54.5	30.1	103.5%
1947	177	4,315	24.4	12.4	143.3%	1973	191	4,495	23.5	15.8	69.1%	1999	140	5,434	38.8	31.8	28.8%
1948	143	3,060	21.4	14.4	72.1%	1974	194	5,104	26.3	17.9	67.0%	2000	132	3,876	29.4	31.2	(7.7%)
1949	169	1,685	10.0	15.1	(30.7%)	1975	202	3,003	14.9	19.1	(17.2%)	2001	144	4,235	29.4	31.3	(5.6%)
1950	178	1,112	6.2	15.4	(58.6%)	1976	200	1,696	8.5	18.8	(55.6%)	2002	139	1,635	11.8	29.6	(62.4%)
1951	196	509	2.6	14.7	(83.1%)	1977	214	3,288	15.4	19.8	(18.1%)	2003	157	4,460	28.3	28.3	(4.3%)
1952	186	3,830	20.6	14.7	40.0%	1978	194	3,820	19.7	21.4	(0.3%)	2004	130	2,026	15.6	26.9	(44.8%)
1953	189	911	4.8	13.6	(67.2%)	1979	197	4,621	23.5	21.7	09.4%	2005	148	4,777	32.3	28.2	20.1%
1954	150	121	0.8	12.8	(94.1%)	1980	205	6,059	29.6	21.3	36.0%	2006	133	2,674	20.2	29.4	(28.5%)
1955	154	1,053	6.8	10.6	(46.7%)	1981	207	3,638	17.6	20.1	(17.5%)	2007	151	6,444	42.8	30.3	45.6%
1956	143	257	1.8	9.9	(83.1%)	1982	216	5,047	23.4	20.2	16.5%	2008	119	2,292	19.3	26.8	(36.2%)
1957	22	24	1.1	7.6	(89.0%)	1983	210	5,821	27.7	20.6	37.1%	2009	160	4,010	25.1	25.4	(6.5%)
1958	150	2,856	19.0	7.4	150.0%	1984	211	5,864	27.8	20.8	34.7%	2010	125	5,076	40.6	26.5	59.7%
1959	148	4,004	27.1	9.1	266.6%	1985	184	5,734	31.2	22.4	49.9%	2011	132	2,040	15.5	25.2	(41.8%)
1960	149	5,032	33.8	11.8	271.6%	1986	172	4,455	25.9	24.2	15.6%	2012	135	3,547	26.3	26.6	04.5%
1961	153	3,336	21.8	13.8	84.1%	1987	161	5,409	33.6	26.0	39.1%	2013	132	594	4.5	24.2	(83.1%)
1962	159	2,413	15.2	13.2	10.3%	1988	145	3,073	21.2	26.1	(18.4%)						

Finney County, KS Wheat Yields

Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average
1937	300	433	1.4	6.6	(78.6%)	1963	192	2,774	14.4	20.4	(25.7%)	1989	233	5,336	22.9	31.3	(28.8%)
1938	201	1,246	6.2	6.1	(6.6%)	1964	180	3,154	17.5	21.8	(14.1%)	1990	243	11,688	48.1	32.8	53.8%
1939	170	421	2.5	5.0	(59.5%)	1965	213	4,508	21.2	23.0	(3.0%)	1991	247	7,523	30.5	34.8	(7.2%)
1940	148	625	4.2	4.2	(15.5%)	1966	215	2,716	12.6	23.1	(45.0%)	1992	270	10,960	40.6	35.0	16.7%
1941	189	2,390	12.7	3.5	200.9%	1967	252	3,162	12.5	21.9	(45.7%)	1993	235	9,665	41.1	35.2	17.6%
1942	214	4,084	19.0	4.9	439.4%	1968	235	2,127	9.1	19.9	(58.7%)	1994	224	9,329	41.6	36.2	18.3%
1943	213	2,829	13.3	6.1	172.3%	1969	216	6,956	32.2	21.2	61.6%	1995	209	4,709	22.5	34.8	(37.7%)
1944	247	2,402	9.7	7.0	59.4%	1970	195	5,953	30.5	20.4	44.1%	1996	234	3,718	15.9	33.5	(54.3%)
1945	261	4,876	18.7	8.8	167.9%	1971	192	6,921	36.0	21.0	76.5%	1997	214	8,796	41.1	33.5	22.9%
1946	279	3,440	12.3	10.0	39.9%	1972	199	7,203	36.2	22.2	72.7%	1998	188	9,792	52.1	35.6	55.4%
1947	318	7,418	23.3	12.2	133.1%	1973	210	7,233	34.4	24.2	54.9%	1999	173	8,786	50.8	38.4	42.5%
1948	262	4,225	16.1	13.2	32.2%	1974	214	7,089	33.1	25.8	36.7%	2000	175	6,106	34.9	37.1	(9.2%)
1949	308	2,988	9.7	13.9	(26.4%)	1975	242	7,216	29.8	26.7	15.6%	2001	183	5,936	32.4	37.3	(12.6%)
1950	241	1,780	7.4	14.2	(46.9%)	1976	232	4,961	21.4	27.5	(19.8%)	2002	166	4,055	24.4	35.7	(34.5%)
1951	265	1,298	4.9	13.5	(65.6%)	1977	232	7,148	30.8	29.4	11.9%	2003	177	6,824	38.7	35.4	08.3%
1952	280	6,384	22.8	13.8	69.5%	1978	243	7,076	29.1	31.4	(0.8%)	2004	165	4,562	27.7	34.1	(21.8%)
1953	217	1,054	4.9	13.0	(64.9%)	1979	250	7,890	31.6	31.3	00.6%	2005	176	7,645	43.4	36.1	27.6%
1954	212	720	3.4	12.4	(73.8%)	1980	282	9,189	32.6	31.5	04.1%	2006	171	3,691	21.6	36.7	(40.2%)
1955	187	1,802	9.6	11.4	(22.0%)	1981	255	2,768	10.9	29.0	(65.6%)	2007	169	7,671	45.4	37.2	23.8%
1956	182	2,035	11.2	11.3	(2.3%)	1982	265	10,246	38.7	29.2	33.4%	2008	159	6,519	41.0	36.0	10.4%
1957	35	868	24.8	11.5	118.9%	1983	248	9,638	38.9	29.7	32.9%	2009	177	8,580	48.6	35.8	34.9%
1958	192	5,520	28.8	12.7	150.5%	1984	254	8,127	32.0	29.6	07.8%	2010	159	8,493	53.6	37.7	49.6%
1959	186	3,633	19.5	13.7	53.3%	1985	241	8,855	36.7	30.3	24.3%	2011	166	3,220	19.5	36.4	(48.4%)
1960	194	7,410	38.2	16.8	178.3%	1986	237	6,851	28.9	31.0	(4.5%)	2012	192	5,225	27.2	36.7	(25.2%)
1961	185	5,673	30.7	19.4	82.5%	1987	239	9,652	40.4	32.0	30.2%	2013	174	3,791	21.9	35.0	(40.4%)
1962	175	4,108	23.5	19.4	21.1%	1988	200	6,182	30.9	32.1	(3.3%)						

Garfield County, OK Wheat Yields

Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield*	10 Yr. Moving Average Co. Yd.	% Yield Change from Average
1937	365	5,626	15.4	12.6	30.4%	1963	279	5,471	19.6	20.0	00.7%	1989	425	13,800	32.5	27.3	17.1%
1938	368	3,765	10.2	12.4	(19.1%)	1964	281	7,654	27.2	20.8	35.9%	1990	430	13,350	31.0	27.2	13.6%
1939	349	6,937	19.9	13.5	60.6%	1965	315	9,792	31.1	23.5	49.3%	1991	420	7,450	17.7	25.9	(34.8%)
1940	346	4,052	11.7	13.7	(13.0%)	1966	302	6,725	22.3	23.9	(5.2%)	1992	454	10,700	23.6	24.6	(8.8%)
1941	350	3,897	11.1	13.2	(18.5%)	1967	386	6,153	16.0	24.2	(33.1%)	1993	454	10,260	22.6	24.8	(8.3%)
1942	250	4,293	17.2	13.4	30.4%	1968	356	9,040	25.4	24.1	05.0%	1994	420	10,550	25.1	24.4	01.5%
1943	244	1,816	7.4	12.9	(44.6%)	1969	305	9,187	30.1	24.7	25.0%	1995	400	8,400	21.0	24.4	(13.9%)
1944	336	5,616	16.7	13.1	29.7%	1970	265	6,984	26.3	24.5	06.5%	1996	395	7,620	19.3	24.1	(20.8%)
1945	366	5,218	14.3	13.3	08.7%	1971	253	5,014	19.8	23.9	(19.1%)	1997	395	14,050	35.6	25.8	47.3%
1946	368	6,642	18.0	14.2	35.9%	1972	328	6,704	20.4	23.8	(14.4%)	1998	375	14,350	38.3	26.7	48.2%
1947	379	6,122	16.2	14.3	13.8%	1973	350	11,119	31.8	25.0	33.3%	1999	350	10,330	29.5	26.4	10.7%
1948	380	5,827	15.3	14.8	07.4%	1974	391	8,449	21.6	24.5	(13.7%)	2000	340	9,820	28.9	26.2	09.5%
1949	397	5,558	14.0	14.2	(5.3%)	1975	408	10,648	26.1	24.0	06.6%	2001	305	7,400	24.3	26.8	(7.2%)
1950	340	2,746	8.1	13.8	(43.1%)	1976	419	9,420	22.5	24.0	(6.2%)	2002	375	9,430	25.1	27.0	(6.2%)
1951	367	4,485	12.2	13.9	(11.7%)	1977	407	11,004	27.0	25.1	12.6%	2003	380	14,400	37.9	28.5	40.5%
1952	382	8,132	21.3	14.4	52.7%	1978	394	12,555	31.9	25.8	26.9%	2004	370	12,900	34.9	29.5	22.4%
1953	405	5,593	13.8	15.0	(3.8%)	1979	398	14,480	36.4	26.4	41.3%	2005	370	9,000	24.3	29.8	(17.5%)
1954	301	5,863	19.5	15.3	29.8%	1980	429	13,890	32.4	27.0	22.7%	2006	370	10,550	28.5	30.7	(4.3%)
1955	279	1,272	4.6	14.3	(70.1%)	1981	420	13,125	31.3	28.1	15.8%	2007	360	3,100	8.6	28.0	(72.0%)
1956	285	5,246	18.4	14.3	28.8%	1982	470	16,740	35.6	29.6	26.6%	2008	N/A	N/A	36.5	27.9	30.2%
1957	284	3,516	12.4	14.0	(13.5%)	1983	465	10,000	21.5	28.6	(27.5%)	2009	325	7,055	21.7	27.1	(22.1%)
1958	291	7,839	26.9	15.1	92.8%	1984	475	13,720	28.9	29.3	00.9%	2010	325	8,300	25.5	26.7	(5.7%)
1959	285	6,678	23.4	16.1	54.9%	1985	460	9,778	21.3	28.9	(27.6%)	2011	305	7,000	23.0	26.6	(14.2%)
1960	278	7,943	28.6	18.1	78.3%	1986	445	9,500	21.3	28.8	(26.0%)	2012	305	12,000	39.3	28.0	47.9%
1961	278	7,260	26.1	19.5	44.2%	1987	445	8,425	18.9	27.9	(34.2%)	2013	315	11,200	35.6	27.8	26.9%
1962	249	5,213	21.0	19.5	07.5%	1988	400	11,890	29.7	27.7	06.4%						

Adams County, IL Corn Yields

(Yields prior to 1972 were "harvested")

Yr.	Ac. Planted 000	Harvested Production 000	Planted Co. Yield*	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted	Harvested Production	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average	Yr.	Ac. Planted	Harvested Production	Planted Co. Yield	10 Yr. Moving Average Co. Yd.	% Yield Change from Average
1937	90	4,485	50.0	29.8	67.8%	1963	106	8,637	82.0	61.4	33.6%	1989	118	9,257	75.0	103.2	(27.3%)
1938	80	3,216	40.0	31.8	25.8%	1964	115	8,838	77.0	64.4	19.6%	1990	111	12,952	114.0	98.8	15.4%
1939	76	3,464	46.0	31.7	45.1%	1965	111	10,053	91.0	67.5	34.8%	1991	113	13,030	111.0	102.3	08.5%
1940	69	2,699	39.0	33.2	17.5%	1966	122	9,412	77.0	71.2	08.1%	1992	125	18,360	142.0	102.3	38.8%
1941	75	3,755	50.0	34.2	46.2%	1967	123	12,338	100.0	72.9	37.2%	1993	105	12,041	96.0	104.5	(8.1%)
1942	74	3,794	51.0	35.4	44.1%	1968	124	12,032	97.0	76.9	26.1%	1994	130	18,749	142.0	109.8	29.3%
1943	81	3,731	46.0	36.0	27.8%	1969	118	8,672	74.0	79.4	(6.8%)	1995	95	10,746	111.0	114.3	(2.9%)
1944	95	4,269	45.0	37.0	21.6%	1970	120	9,450	79.0	80.6	(2.0%)	1996	149	20,725	135.0	112.3	20.2%
1945	81	3,008	37.0	40.9	(9.5%)	1971	116	12,113	104.0	82.5	26.1%	1997	130	17,317	131.0	112.6	16.3%
1946	91	5,440	60.0	41.6	44.2%	1972	104	10,963	100.0	85.9	16.4%	1998	119	15,589	129.0	112.9	14.3%
1947	74	1,695	23.0	46.4	(50.4%)	1973	104	10,014	91.0	88.1	03.3%	1999	119	14,518	120.0	118.6	01.2%
1948	96	6,574	69.0	43.7	57.9%	1974	106	8,695	74.0	89.0	(16.9%)	2000	125	21,483	168.0	123.1	36.5%
1949	94	5,030	54.0	46.6	15.9%	1975	124	11,732	90.0	88.7	01.5%	2001	134	20,322	145.0	128.5	12.8%
1950	81	4,452	55.0	47.4	16.0%	1976	133	11,222	81.0	88.6	(8.6%)	2002	127	18,557	144.0	131.9	09.2%
1951	88	5,298	60.0	49.0	22.4%	1977	124	7,672	57.0	89.0	(36.0%)	2003	135	23,102	169.0	132.1	27.9%
1952	89	5,232	59.0	50.0	18.0%	1978	114	11,129	93.0	84.7	09.8%	2004	134	26,169	192.0	139.4	37.7%
1953	90	4,693	52.0	50.8	02.4%	1979	120	14,860	119.0	84.3	41.2%	2005	140	18,021	126.0	144.4	(12.7%)
1954	93	4,276	46.0	51.4	(10.5%)	1980	125	10,243	79.0	88.8	(11.0%)	2006	129	16,577	127.0	145.9	(13.0%)
1955	94	5,073	54.0	51.5	04.9%	1981	121	14,019	111.0	88.8	25.0%	2007	149	24,170	159.0	145.1	09.6%
1956	90	5,367	60.0	53.2	12.8%	1982	121	15,009	120.0	89.5	34.1%	2008	130	22,213	156.0	147.9	05.5%
1957	91	5,430	60.0	53.2	12.8%	1983	99	4,545	43.0	91.5	(53.0%)	2009	146	25,112	170.0	150.6	12.9%
1958	95	6,861	72.0	56.9	26.5%	1984	113	11,607	97.0	86.7	11.9%	2010	159	19,375	120.0	155.6	(22.9%)
1959	109	6,715	62.0	57.2	08.4%	1985	132	17,996	131.0	89.0	47.2%	2011	162	22,004	133.0	150.8	(11.8%)
1960	106	6,346	60.0	58.0	03.4%	1986	132	17,846	132.0	93.1	41.8%	2012	161	12,241	72.0	149.6	(51.9%)
1961	100	6,977	70.0	58.5	19.7%	1987	105	13,881	128.0	98.2	30.3%	2013	153	23,446	152.0	142.4	06.7%
1962	101	7,829	78.0	59.5	31.1%	1988	115	8,738	72.0	105.3	(31.6%)						

Above Average Farm Level Wheat Yields

Line #	Yr.	Ac. Planted (000)	Production (000)	Planted County Yield	10 Yr. Moving Avg. Co. Yd.	% Yield Change from Avg.	Farm 1 Yields	60% T-Yield	70% T-Yield	Farm 2 Yields
1	2003	380	14,400	37.9	27.0	40.5%	54.0			
2	2004	370	12,900	34.9	28.5	22.4%	46.0			
3	2005	370	9,000	24.3	29.5	(17.5%)	50.0			
4	2006	370	10,550	28.5	29.8	(4.3%)	45.0			
5	2007	360	3,100	8.6	30.7	(72.0%)	9.0	19.0	22.0	N/A
6	2008		RMA	36.5	28.0	30.2%	44.0			44.0
7	2009	325	7,055	21.7	27.9	(22.1%)	22.0			37.0
8	2010	325	8,300	25.5	27.1	(5.7%)	50.0			49.0
9	2011	305	7,000	23.0	26.7	(14.2%)	33.0			N/A
10	2012	305	12,000	39.3	26.6	47.9%	52.0			47.0
11	2013	315	11,200	35.6	28.0	26.9%	N/A			N/A
12	2014*	Assume Co Yd		13.8	27.8	(50.0%)	7.5	20.0	24.0	34.5
13	2014 Year's APH Rated Yield						41			44
14	2014 Approved APH Yield						42			44
15	2015 APH Rated Yield						36			42
16	**60% T-yield Approved 2015 APH Yield**						**38**			**42**
17	**% increase in APH above Rated APH**						**6.3%**			**0.0%**
18	70% T-yield 2015 APH Yield, the alternative Policy						39			42
19	% increase in APH above Rated APH						8.2%			0.0%
20	**Excluded Yield 2015 APH, "Law"**						**43**			44
22	**% increase in APH above Rated APH**						**19.2%**			**4.6%**
23	**% increase in APH above 70% T-Yield Plug**						**10.2%**			**4.6%**

*NASS will publish 2014 county wheat yields in the spring of 2015.

Below Average Farm Level Wheat Yields

Line #	Yr.	Ac. Planted (000)	Production (000)	Planted County Yield	10 Yr. Moving Avg. Co. Yd.	% Yield Change from Avg.	Farm 1 Yields	60% T-Yield	70% T-Yield	Farm 2 Yields
1	2003	380	14,400	37.9	27.0	40.5%	27.0			
2	2004	370	12,900	34.9	28.5	22.4%	24.0			
3	2005	370	9,000	24.3	29.5	(17.5%)	17.0	19.0	22.0	
4	2006	370	10,550	28.5	29.8	(4.3%)	20.0			
5	2007	360	3,100	8.6	30.7	(72.0%)	6.0	19.0	22.0	N/A
6	2008		RMA	36.5	28.0	30.2%	26.0			26.0
7	2009	325	7,055	21.7	27.9	(22.1%)	15.0	20.0	24.0	15.0
8	2010	325	8,300	25.5	27.1	(5.7%)	18.0	20.0	24.0	18.0
9	2011	305	7,000	23.0	26.7	(14.2%)	16.0	20.0	24.0	N/A
10	2012	305	12,000	39.3	26.6	47.9%	28.0			28.0
11	2013	315	11,200	35.6	28.0	26.9%	N/A			N/A
12	2014*	Assume Co Yd		13.8	27.8	(50.0%)	0.0	20.0	24.0	0.0
13	2014 Year's APH Rated Yield						20			22
14	2014 Approved APH Yield						22			24
15	2015 APH Rated Yield						17			17
16	**60% T-yield Approved 2015 APH Yield**						**22**			**23**
17	**% increase in APH above Rated APH**						**27.1%**			**31.0%**
18	70% T-yield 2015 APH Yield, the alternative Policy						24			25
19	% increase in APH above Rated APH						40.0%			44.8%
20	**Excluded Yield 2015 APH, "Law"**						**22**			24
22	**% increase in APH above Rated APH**						30.1%			35.1%
23	**% increase in APH above 70% T-Yield Plug**						(7.0%)			(6.7%)

*NASS will publish 2014 county wheat yields in the spring of 2015.

Area Trigger Favors Above Average Producers

1. If the area trigger is met, then below average producers would be able to exclude that year's yield. However, they will be averaging below average yields for the remaining 9 years. They would have a higher APH with the 70% plug.
2. Those farmers who have above average yields would benefit the most from the 50% rule because they could also exclude a yield, but they will average above average yields for the remaining 9 years.
3. If an AIP/RMA were willing to insure an IL corn farmer in 2011 then why does RMA need an APH reduction to insure the same farm in 2013?

Delayed Crop Insurance

1. 50% rule provides a benefit to insured and agent, but who pays?
2. It was assumed the insured's rates would be based on rated APH, as is current policy, but rate setting was left to RMA.
3. After AIP's accepted the current SRA, Corn Belt rates were reduced. Additional rate reductions were caused by record low implied volatility.
4. Does implied volatility correlate with price change or more importantly, loss ratio?

Illinois Corn Crop Insurance History by Year

OBS	Year	Pol Earn Prem	Net Acres	Liabilities	Cov. $ per AC	Total Premium	Rate	Indemnity	Loss Ratio	Farmer Paid	% Of Premium Farmer Paid
		(000)	(000)	(000)		(000)		(000)		(000)	
1	1994	32.4	3,698	744,739	$201	36,272	4.9%	2,657	0.07	28,586	79%
2	1995	91.6	8,747	1,158,339	$132	48,272	4.2%	41,146	0.85	23,847	49%
3	1996	67.6	7,517	1,299,921	$173	60,157	4.6%	28,643	0.48	32,810	55%
4	1997	57.0	6,483	1,111,147	$171	53,838	4.8%	14,117	0.26	31,145	58%
5	1998	54.9	6,318	1,227,417	$194	61,084	5.0%	31,249	0.51	37,059	61%
6	1999	57.3	6,934	1,302,777	$188	79,773	6.1%	33,931	0.43	58,123	73%
7	2000	60.8	7,526	1,628,708	$216	103,782	6.4%	28,274	0.27	83,219	80%
8	2001	57.2	7,343	1,653,373	$225	113,188	6.8%	30,015	0.27	52,877	47%
9	2002	55.1	7,539	1,749,769	$232	115,409	6.6%	99,762	0.86	54,927	48%
10	2003	54.8	7,826	1,960,088	$250	136,961	7.0%	40,242	0.29	65,318	48%
11	2004	53.3	8,118	2,431,995	$300	173,049	7.1%	60,542	0.35	80,594	47%
12	2005	53.1	8,616	2,375,234	$276	168,968	7.1%	191,314	1.13	79,036	47%
13	2006	54.9	8,940	3,535,050	$395	277,198	7.8%	26,412	0.10	129,350	47%
14	2007	54.8	10,233	5,960,600	$583	487,173	8.2%	47,362	0.10	228,863	47%
15	2008	52.4	9,416	6,717,206	$713	547,433	8.1%	325,840	0.60	272,976	50%
16	2009	53.0	9,681	5,350,848	$553	465,003	8.7%	135,268	0.29	215,045	46%
17	2010	53.0	9,915	5,496,266	$554	376,807	6.9%	239,412	0.64	169,423	45%
18	2011	53.7	10,191	8,589,047	$843	630,944	7.3%	264,184	0.42	283,517	45%
19	2012	54.8	10,309	8,397,579	$815	521,827	6.2%	3,204,752	6.14	228,649	44%
20	2013	60.1	10,485	8,664,170	$826	529,556	6.1%	569,530	1.08	243,495	46%
Totals 94-2013[2]		165,836	71,354,276			4,986,694	7.0%	5,414,655	1.09	2,398,859	48%

Kansas Wheat Crop Insurance History by Year

OBS	Year	Pol Earn Prem	Net Acres	Liabilities	Cov. $ per AC	Total Premium base on 2013 Rate	2013 Rate	Indemnity	Loss Ratio	Farmer Paid	% Of Premium Farmer Paid
		(000)	(000)	(000)		(000)		(000)		(000)	
1	1994	38.2	4,920	310,908	$63	23,588	7.6%	8,564	0.36	16,738	71%
2	1995	88.3	10,240	513,384	$50	37,878	7.4%	46,613	1.23	16,488	44%
3	1996	84.6	10,299	571,999	$56	42,796	7.5%	138,281	3.23	19,890	46%
4	1997	64.6	8,572	577,114	$67	54,761	9.5%	12,193	0.22	30,944	57%
5	1998	58.2	7,765	518,635	$67	44,807	8.6%	13,286	0.30	24,655	55%
6	1999	54.9	7,512	500,456	$67	44,572	8.9%	28,415	0.64	26,854	60%
7	2000	55.1	7,609	541,115	$71	46,415	8.6%	24,722	0.53	29,127	63%
8	2001	55.7	7,964	641,979	$81	72,901	11.4%	83,002	1.14	30,726	42%
9	2002	54.0	7,867	650,733	$83	73,093	11.2%	127,603	1.75	30,602	42%
10	2003	55.4	8,683	816,195	$94	101,478	12.4%	39,674	0.39	43,773	43%
11	2004	54.6	8,473	767,602	$91	98,509	12.8%	164,136	1.67	42,149	43%
12	2005	52.8	8,652	807,025	$93	114,823	14.2%	54,019	0.47	48,737	42%
13	2006	50.2	8,140	755,304	$93	107,434	14.2%	177,951	1.66	45,454	42%
14	2007	50.3	8,759	1,050,162	$120	165,556	15.8%	326,376	1.97	70,372	43%
15	2008	49.0	8,336	1,272,166	$153	215,745	17.0%	169,231	0.78	91,099	42%
16	2009	48.2	8,209	1,860,202	$227	358,489	19.3%	223,495	0.62	150,759	42%
17	2010	45.6	7,570	1,070,928	$141	190,075	17.7%	52,623	0.28	77,861	41%
18	2011	45.1	7,618	1,480,423	$194	271,213	18.3%	220,071	0.81	109,051	40%
19	2012	47.8	8,378	2,003,180	$239	352,651	17.6%	162,619	0.46	144,401	41%
20	2013	49.0	8,535	2,147,196	$252	363,490	16.9%	485,235	1.33	147,055	40%
Totals 94-2013[2]		164,099	18,856,706			2,780,275	14.7%	2,558,109	0.92	1,196,735	43%

Volatility and Strike Price Impact on National Revenue Protection (RP) Rates for Corn

Year	Net Acres	Liability	Total Prem-	Indem-	Corn Plant Price	Harv- est Price	% Price Cha- nge	Vola- tility	Avg Prem Rate	% Rate Diffe- rence from 2012 Rate	$ Cov- erage per Acre	% Cov- erage Diffe- rence from 2012	Loss Ratio
	Millions	$Millions	$Millions	$Millions									
2001	33.3	7,497.6	677.0	470.9	2.46	2.08	(15%)	0.20	9.03%	8%	225.45	(67%)	0.70
2002	37.7	8,317.4	734.2	1,044.3	2.32	2.52	9%	0.18	8.83%	6%	220.72	(67%)	1.42
2003	39.8	9,198.8	897.7	588.1	2.42	2.26	(7%)	0.20	9.76%	17%	231.10	(66%)	0.66
2004	42.6	11,542.2	1,165.6	653.2	2.83	2.05	(28%)	0.21	10.10%	21%	270.93	(60%)	0.56
2005	42.5	9,674.0	981.7	503.5	2.32	2.02	(13%)	0.21	10.15%	22%	227.71	(66%)	0.51
2006	41.6	10,795.5	1,128.2	711.2	2.59	3.03	17%	0.23	10.45%	25%	259.38	(62%)	0.63
2007	52.6	21,645.9	2,362.6	842.5	4.06	3.58	(12%)	0.26	10.91%	31%	411.80	(39%)	0.36
2008	50.2	27,877.7	3,075.5	2,447.0	5.40	4.13	(24%)	0.30	11.03%	32%	555.12	(18%)	0.80
2009	56.2	24,586.0	2,858.2	1,025.3	4.04	3.72	(8%)	0.37	11.63%	39%	437.43	(35%)	0.36
2010	59.4	25,967.5	2,468.0	1,575.7	3.99	5.46	37%	0.28	9.50%	14%	437.45	(35%)	0.64
2011	65.4	43,789.7	4,211.4	2,846.8	6.01	6.32	5%	0.29	9.62%	15%	669.40	(1%)	0.68
2012	70.2	47,306.6	3,943.0	10,617.8	5.68	7.50	32%	0.22	8.34%	zero	674.12	zero	2.69
2013	75.0	50,442.4	4,300.8	5,383.4	5.65	4.39	(22%)	0.20	8.53%	2%	672.50	(%)	1.25

Historical Prices and Volatility

	Mar 15 Corn					Mar 15 Soybeans				Sep 30 KC Wheat			
Year	RP Plant Price	RP Harv. Price	RMA[1] Vola- tility	Time Adj.[2]	% Price Change	RP Plant Price	RP Harv. Price	RMA[1] Vola- tility	% Price Change	RP Plant Price	RP Harv. Price	RMA[1] Vola- tility	% Price Change
2014	4.62		0.19			11.36		0.13		7.02	7.17	0.19	2.1%
2013	5.65	4.39	0.20		(22.3%)	12.87	12.87	0.17	0.0%	8.78	7.22	0.24	(17.8%)
2012	5.68	7.50	0.22		32.0%	12.55	15.39	0.18	22.6%	8.62	6.75	0.26	(21.7%)
2011	6.01	6.32	0.29		5.2%	13.49	12.14	0.23	(10.0%)	7.14	8.18	0.33	14.6%
2010	3.99	5.46	0.28		36.8%	9.23	11.63	0.20	26.0%	5.42	4.79	0.33	(11.6%)
2009	4.04	3.72	0.37	0.348	(7.9%)	8.80	9.66	0.31	9.8%	8.77	6.35	0.27	(27.6%)
2008	5.40	4.13	0.30	0.282	(23.5%)	13.36	9.22	0.31	(31.0%)	5.88	7.88	0.33	34.0%
2007	4.06	3.58	0.26	0.244	(11.8%)	8.09	9.75	0.19	20.5%	4.52	5.62	0.30	24.3%
2006	2.59	3.03	0.23	0.216	17.0%	6.18	5.93	0.21	(4.0%)	3.52	4.81	0.20	36.6%
2005	2.32	2.02	0.21	0.197	(12.9%)	5.53	5.75	0.21	4.0%	3.56	3.28	0.18	(7.9%)
2004	2.83	2.05	0.21	0.197	(27.6%)	6.72	5.26	0.21	(21.7%)	3.40	3.77	0.19	10.9%
2003	2.42	2.26	0.20	0.188	(6.6%)	5.26	7.32	0.18	39.2%	3.73	3.14	0.19	(15.8%)
2002	2.32	2.52	0.18	0.169	8.6%	4.50	5.45	0.16	21.1%	3.34	3.09	0.22	(7.5%)
2001	2.46	2.08	0.20	0.188	(15.3%)	4.67	4.37	0.16	(6.4%)	3.31	3.07	0.18	(7.3%)
2000	2.51	2.04	0.21	0.197	(18.7%)	5.32	4.72	0.20	(11.2%)	3.34	3.02	0.20	(9.6%)
1999	2.40	2.01	0.19	0.178	(16.1%)	5.11	4.85	0.16	(5.1%)	3.16	2.84	0.21	(10.1%)
1998	2.84	2.19	0.21	0.197	(23.0%)	6.64	5.46	0.18	(17.7%)	3.95	3.04		(23.1%)
1997	2.73	2.81	0.19	0.178	3.1%	6.97	6.82	0.16	(2.1%)	4.13	3.64		(11.7%)

[1]Source: Risk Management Agency (RMA), "Informational Memorandums, Expected Prices and Volatility Factors", http://www.rma.usda.gov. The volatility values were published by RMA based on the contract specifications at that time.
[2]Estimated volatility values based on implied volatility for years prior to the introduction of Revenue Assurance.
[3]For years 1997-2009, the Revenue Assurance (RA) Contract were settled on the November average corn price of the December futures contract. The Revenue Protection (RP) contract replaced RA in 2010 and the settlement month was changed from November to October. The volatility values were adjusted to reflect the 30 day reduction in time value.

State Loss Ratios, All Crops

Yr	NE	IL	IN	IA	MN	KS	TX	MI	OK	MS	OH
2012	2.32	4.53	3.39	2.23	.30	1.70	1.31	1.21	.83	.42	1.25
2011	.35	.44	.58	.29	.53	1.36	2.36	.28	2.15	1.00	.41
2010	.34	.58	.35	.59	.15	.26	.38	.41	.33	.93	.24
2009	.28	.30	.25	.23	.24	.40	1.36	.61	1.65	1.24	.18
2008	.61	.66	1.17	1.20	.82	.62	1.27	1.01	.65	.76	1.76
2007	.19	.21	.37	.15	.45	.90	.38	.62	1.80	.66	.35
2006	.44	.10	.18	.16	.27	1.20	1.55	.28	2.18	1.08	.21
2005	.32	.77	.24	.23	.47	.45	.54	.27	.45	.45	.46
2004	.51	.38	.58	.31	1.03	1.16	.53	1.15	.53	.60	.77
2003	.79	.65	.89	.94	.61	1.34	1.36	1.05	.64	.87	.79
2002	2.01	.82	1.39	.25	.54	2.64	1.21	.74	1.73	.97	3.00
2001	.40	.26	.17	.66	.91	.95	1.53	1.55	1.53	1.79	.54
2000	1.32	.32	.37	.45	.44	1.38	1.80	.78	1.50	1.99	.54
1999	.43	.42	.84	.36	.67	.62	1.25	.36	1.71	1.20	1.26
1998	.34	.46	.86	.55	.36	.31	2.03	.62	.81	.83	.44
1997	.40	.23	.71	.10	.45	.21	.61	.33	.59	.38	.45
1996	.48	.61	1.07	.31	.26	1.58	1.65	1.35	2.42	.26	1.49
1995	1.05	.69	.91	.80	.60	1.09	1.26	.25	1.84	.99	.75
1994	.42	.12	.21	.07	.90	.33	.77	1.27	1.59	.79	.28
1993	1.88	.63	.55	4.65	6.10	1.40	.91	.96	2.27	1.87	.91
1992	1.54	.37	.55	.19	.79	1.59	2.86	1.89	1.62	1.00	.69
MAX	2.32	4.53	3.39	4.65	6.10	2.64	2.86	1.89	2.42	1.99	3.00
Min	.19	.10	.17	.07	.15	.21	.38	.25	.33	.26	.18
Avg	.78	.64	.74	.70	.81	1.02	1.28	.81	1.37	.96	.80

Supplemental Coverage Option (SCO)

Guarantee	County Revenue or County Yield
Reference Price	Crop Insurance Prices Based on Futures
Farmer's SCO Liability covers RP, RP-HPE, or YP Deductible up to 86%	Farmer's APH X Crop insurance Prices X (86%-% CI Coverage), determined by type of coverage purchased
% County Payment Factor	Min((0.86- (Final Co. Rev./Exp. Co. Rev.))/(0.86-% Crop Ins.),1)
Farmer Payment	% County Payment Factor X Farmer's Liability
Payment Acres	Covers all Planted Acres
YP based SCO Liability	86%-% YP Coverage = % of Farmer's Deductible
RP-HPE based SCO Liability	86%-% RP-HPE Coverage = % of Farmer's Deductible
RP based SCO Liability	86%-% RP Coverage = % of Farmer's Deductible
Payment Limit	None & No Sequestered Payments
Max Payment per AC	Stop Loss @ % Crop Insurance Coverage Level
Program Selection	1 time Select ARC or PLC + SCO

Example Farmer Values for Supplemental Coverage Option (SCO)

	Farm	County
APH	150.0	145.0
Base Price	$5.00	$5.00
Total Revenue/ Expected Co. Rev.	$750.00	$725.00
Harvest Price	$4.30	$4.30
Harvest Price Adj. Expected Revenue	$750.00	$725.00
% Coverage	**80%**	**80%**
RP Guarantee	$600.00	
Final RP Guarantee	$600.00	
Harvest Yield/ County Yield	135.0	140.0
Revenue to Count/Final Co. Revenue	580.50	602.00
RP Payment	**19.50**	
Payment Factor*	49%	
Protection Factor	100%	
SCO Coverage	45.00	
SCO Payment	**22.24**	
Total Payment	41.74	

*Payment Factor was calculated based on Area Risk Protection Insurance (ARPI) payment factor. RMA may use some other method.

Supplemental Coverage Option's (SCO) % Payment Factor Calculation

$602.00 Final County Rev. = Harvest Price X Yield

$725.00 Expected County Revenue = Reference Price X Expected County Yield

83.03% % Ratio = Final County Revenue / Expected County Revenue

86% SCO % coverage

2.97% a = SCO % coverage - % ratio

80% % Crop Ins coverage

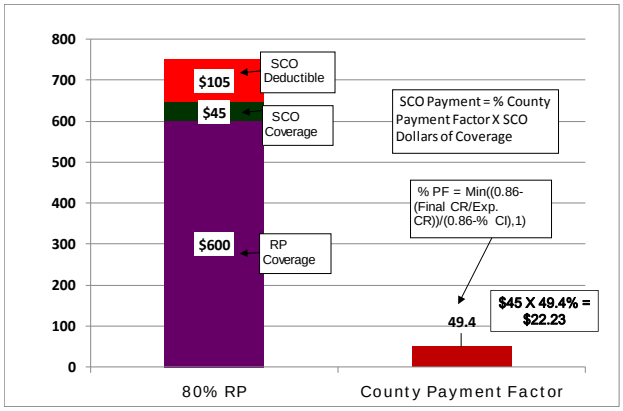
6.00% b = SCO 86% - CI % Coverage

49.43% Payment Factor = min(a/b,1)

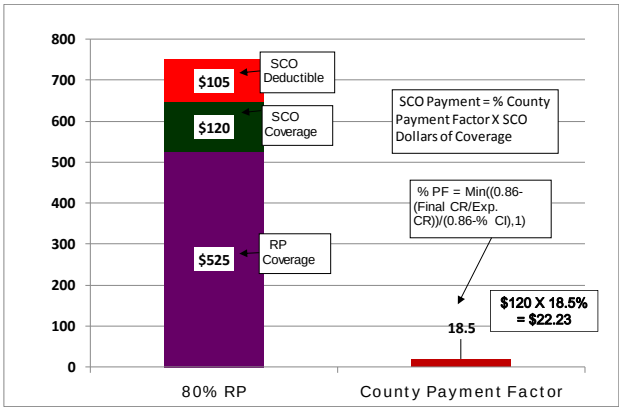
$45.00 RP Deductible Liability

$22.24 SCO Payment = % Payment Factor X Liability

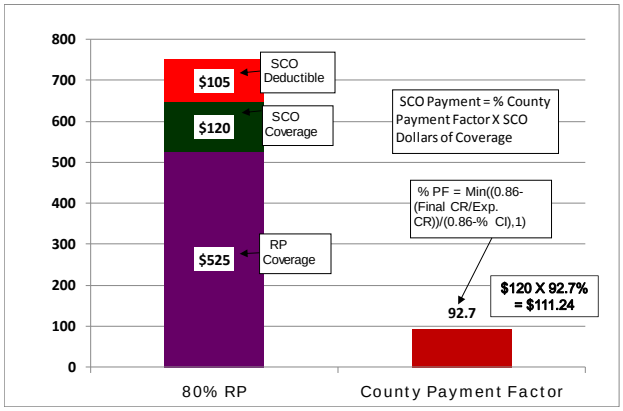
Supplemental Coverage Option's (SCO) Liability is tied to the Deductible in 80% RP & Actual Co Yield = 140 bu.; Harvest Price = $4.30



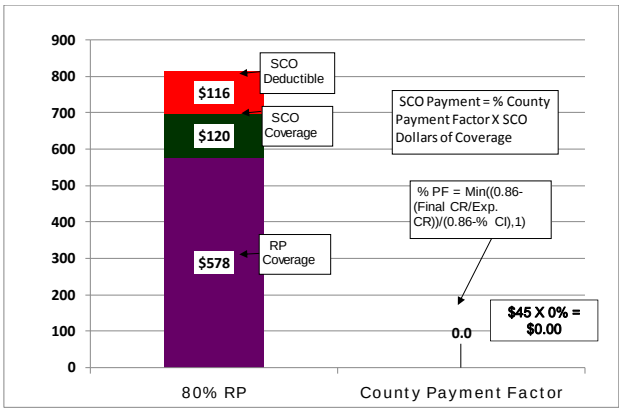
Supplemental Coverage Option's (SCO) Liability is tied to the Deductible in 70% RP & Actual Co Yield = 140 bu.; Harvest Price = $4.30



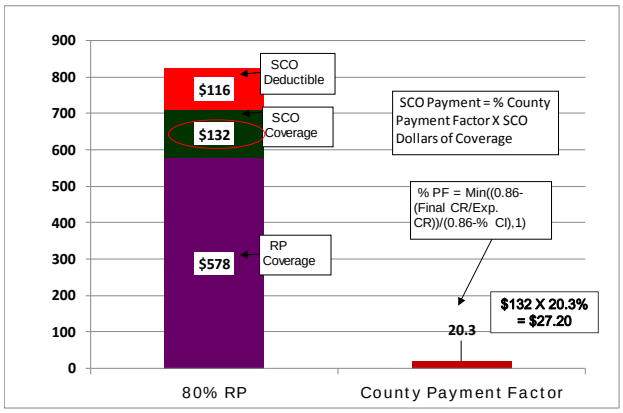
Supplemental Coverage Option's (SCO) Liability is tied to the Deductible in 70% RP & Actual Co Yield = 120 bu.; Harvest Price = $4.30



Impact on SCO from a $5 MP Price Increase to a $5.50 Harvest Price with 120 bu. Actual County Yield & 70% RP-HPE



Impact on SCO from a $5 MP Price Increase to a $5.50 Harvest Price with 120 bu. Actual County Yield & 70% RP



2015 Great Plains Winter Wheat, Non-Irrigated, Volatility: 0.17, APH 40, Enterprise Unit

1	APH	40		Base Price	$6.38				
2	Percent Coverage	50%	55%	60%	65%	70%	75%	80%	85%
3	Coverage	127.60	140.36	153.12	165.88	178.64	191.40	204.16	216.92
4	YP Premium	1.80	2.19	2.65	3.16	3.74	5.06	8.20	14.01
5	RP-HPE Premium	1.90	2.32	2.83	3.42	4.07	5.53	9.02	15.41
6	RP Premium	2.14	2.63	3.20	3.87	4.63	6.31	10.28	17.54
7	Yield Cost/ Acre	1.80	2.19	2.65	3.16	3.74	5.06	8.20	14.01
8	Put Cost/ Acre	0.10	0.13	0.18	0.26	0.33	0.47	0.82	1.40
9	Call Cost/ Acre	0.24	0.31	0.37	0.45	0.56	0.78	1.26	2.13
10	Yield Cost/ bu.	0.090	0.100	0.110	0.122	0.134	0.169	0.256	0.412
11	Put Cost/ bu.	0.005	0.006	0.008	0.010	0.012	0.016	0.026	0.041
12	Call Cost/ bu.	0.012	0.014	0.015	0.017	0.020	0.026	0.039	0.063
13	Effective Strike Price	$3.19	$3.51	$3.83	$4.15	$4.47	$4.79	$5.10	$5.42
14	SCO-RP Coverage	91.87	79.11	66.65	53.59	40.83	28.07	15.31	2.55
15	SCO-RP Premium	4.10	4.09	4.02	3.85	3.51	2.94	1.89	0.37
16	SCO Rate	4.5%	5.2%	6.0%	7.2%	8.6%	10.5%	12.3%	14.5%

Where Does SCO Fit?

1. Some counties don't have coverage offers greater than 75%, so SCO covers 11 points of deductible or more.
2. Farmers with significantly more crop acres than base acres.
3. Farmers over the FSA payment limit ($125,000) and no sequestration of payments.
4. Counties with very "high" crop insurance premium rates for 80% and 85% RP coverage. If SCO premiums are "cheap" it may pay to lower RP coverage and increase SCO coverage.
5. An 80% Enterprise unit has a greater subsidy than SCO and is an alternative to the purchase of SCO.
6. Risk averse corn-soybean farmers who are willing to forego a "likely small" ARC payment because they want to avoid a catastrophic price collapse by selecting PLC & SCO over ARC.

Selecting the Best Crop Insurance Coverage

1. How to compare MP rates and coverage.
2. Volatility drives premium cost more than market prices.
3. Enterprise unit allows farmers to buy more coverage for lower premium rates.
4. 80% Coverage provides a much higher "effective" put price, i.e. the point where lower prices trigger payments with an average yield.
5. Is the harvest price worth the extra premium?
6. Does adding private hail-fire make any sense?

Compare Great Plains Non-Irrigated Corn Vs. Sorghum Premium Rates (Enterprise Units)

Crop	Sorghum*		Corn		
% Coverage	70%	75%	75%	80%	85%
Volatility	19	19	17	17	17
Approved APH (T-Yield)	40	40	71	71	71
Base Price	4.46	4.46	4.62	4.62	4.62
Coverage - $/Acre	124.88	133.80	246.25	262.42	279.05
Gross Premium - $/Acre	33.66	40.01	44.63	54.93	63.03
Subsidy - $/Acre	26.93	30.81	34.37	37.35	33.41
Net Premium - $/Acre	6.73	9.20	10.26	17.58	29.62
Rate per $ of Coverage	5.39%	6.88%	4.17%	6.70%	10.61%

*No sorghum coverage offered above 75% coverage.

Compare 80% Enterprise Unit vs. 70% Optional Unit on Great Plains Winter Wheat

	Optional Unit			
1	APH	40	Base Price	$6.44
2	Percent Coverage	70%	75%	80%
3	Coverage	178.64	191.40	204.16
4	Net Premium	11.48	14.77	19.78
5	Rate per $ of Coverage	6.43%	7.72%	9.69%

	Enterprise Unit			
6	APH	40	Base Price	$6.44
7	Percent Coverage	75%	80%	85%
8	Coverage	191.40	204.16	216.92
9	Net Premium	6.31	10.28	17.54
	Rate per $ of Coverage	3.30%	5.04%	8.09%

Bottom Line

1. Farmers who drop their crop insurance coverage and assume "free" ARC revenue coverage will cover their risk will **have a minimum of 92.5% of their expected revenue uninsured, or more!**
2. Higher crop insurance base prices favor crop insurance over ARC, and ARC coverage does not increase when harvest prices are higher.
3. Minimum of 15% of the acres not covered by ARC or more if the farm has crop acres with no base.
4. When given multiple choices, people will often select the simple choice, which is PLC.

Updating Program Yield and Base Acres

1. Can't Build Base
2. Reallocate base acres based on plantings in 2009-2012.
3. Updated program yields = 90% of yields for 2008-2012. A crop failure does not eliminate this option because procedure uses averages and "plugs" on yields.
4. May ARC enrolled farmers update program yields? Yes, updating program yields will happen before enrollment in ARC.
5. Program Yield update and re-allocate base acres are expected to be independent decisions and completed this summer before commodity signup.
6. Framers planning to use crop insurance records based on legal description will need to match those units (fields) to FSA farm serial number.

Other Commodity Program Items

1. FSA enrollment is by Farm Serial Number, allowing for different program selection.
2. Landlord and tenant must agree on commodity program, because it is a 5-year irrevocable decision for the life of the Farm Bill.
3. ARC is expected to provide an irrigated and dryland contract in counties with significant amounts of both practices.
4. Farmers have 3 FSA program alternatives; PLC, county-ARC, farm-ARC, and those not enrolled in ARC can add SCO coverage.

SCO & Insurance Items

1. 10% increase in crop insurance premium subsidy for beginning farmers.
2. Compare 80% RP vs. 70% RP + SCO. ARC farmers give up SCO but could buy 80% coverage where SCO would provide little added coverage.
3. SCO is sold via crop insurance agents and AIP insurance companies under SRA.
4. SCO based on crop insurance prices will pay claims about 6 months before PLC and ARC payments based on MYA prices.
5. Farmers must pay 35% of the SCO premium.
6. SCO starts in the 2015 crop year on a limited number of crops; PLC & ARC start in 2014.

SCO & Insurance Items

7. The FSA and RMA rules are in conflict because RMA requires all acres in a county to be insured, FSA allows program selection by farm serial number. Secretary will need to make a decision.
8. SCO payments cannot be sequestered, no payment limits, large farms will have less basis risk, based on crop insurance prices, cover all planted acres, it is an annual decision to buy, the amount and type of coverage is also an annual decision.
9. SCO is limited to 100% of the crop's value and liability is tied to farmers' crop insurance deductible and is a mirror image of their crop insurance coverage.
10. No SCO for crops in ARC or STAX, otherwise all farmers in conservation compliance may purchase SCO, if available in their county.

Consequences from New ARC, PLC and SCO

1. On March 1 (market has moved) ARC on corn was effectively a zero deductible 86% revenue guarantee.
2. Anyone who drops their crop insurance coverage thinking ARC will cover them, will have 92.5% of their expected revenue or more uninsured.
3. Pays on only 85% of the base acres if farmers elect county-ARC, 65% of base acres for farm-ARC.
4. ARC & PLC have a $125,000 payment limit and $900,000 AGI means test.
5. ARC has a stop loss at 10% times the "expected" revenue. Remove the stop loss and ARC is really good coverage, and very expensive for taxpayers.
6. Crop acres with no base have no coverage.
7. ARC payments are on the base crop, not the crop that was planted.

Consequences from New ARC, PLC and SCO

8. ARC is very likely to pay on corn, and would require a price below about $3.30-$3.20 before the alternative PLC would pay more.
9. Effectively PLC has no stop loss, except for the $125K payment limit.
10. Many Corn Belt farmers are at 80% coverage or greater, so there is little protection from SCO.
11. The PLC and ARC guarantees are much closer together on wheat and could go either way on the one most likely to pay more in the remaining 4 years.
12. In 2014, I don't expect PLC to pay on wheat, but ARC may because of low yields.
13. SCO pays on the crop being planted, so it would cover corn grown on wheat base. Farmers would get the wheat ARC or PLC payment but their risk is on corn.

Consequences from New ARC, PLC and SCO

14. Many Great Plains farmers have less than 80% crop insurance coverage, so there is more protection from SCO.
15. SCO has no payment limit.
16. SCO covers all planted acres, not just base acres.
17. In counties south of Kansas, many of the spring crops don't have coverage offers greater than 75%, and SCO would provide additional coverage.
18. Coverage above 80% in parts of the Great Plains may have marginal rates approaching 100%, so SCO may be very attractive, even if farmers are required give up some FSA payments.
19. If prices increase SCO coverage also increases assuming their base coverage is RP.
20. SCO also has some limits, for example many crops are unlikely to have SCO offers in 2015. Selecting SCO will also depend on where RMA sets the county yields and the premium rates charged.

More Analysis and Education

1. 15 Sponsored Farm Bill Workshops in Kansas after the implementation is complete.
2. OSU-KSU Commodity Program Decision Aid Excel Sheet. Data bases for all states.
3. Texas A&M Commodity Program on line simulation decision aid.
4. Considering a workshop for crop agents and farm management advisors on the Commodity Programs and training on the use of the OSU-KSU model and TAMU model.
5. Possible National Conference on Policy and Farm Bill issues dealing with drought on wheat (Grant Funding Pending).

More Analysis and Education

1. MAST program (Non-Credit, multiple live workshop meetings and internet presentations)
2. Masters Degree in Agribusiness, requires admission to the Graduate School.
3. Free signup for AgManager.info that covers crop and livestock marketing, government programs, crop insurance, leasing, farm management and public policy issues.
4. Please feel free to send comments or questions on this presentation to AgManager.info