



www.agmanager.info
barnaby@ksu.edu
785.532.1515 (phone)
785.532.6925 (fax)

G.A. "Art" Barnaby Jr.

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Rumors and Errors on the Farm Bill and the Status of the OSU-KSU Decision Aid¹

There appears to be some misinformation about the Agricultural Act of 2014 (Farm Bill) based on recent meetings with the KFMA ag economists and county agents.

1. The OSU-KSU decision aid is in a beta format. It does not have the final FSA county yields. Those are being loaded now. Unfortunately, there are missing county yields for some crops in some counties in the FSA data set. Those missing county yields will be filled in by FSA at some point. We are also missing the FSA plug (T-yield) yields. The FSA T-yield is not the same as the crop insurance T-yield.
2. The OSU-KSU decision aid can be downloaded to see if it will run on your Excel. Some older versions of Excel do not support the drop down menus. You can play with the model to see how it works. If you should find a bug, please let us know. However, the data files are not complete, so **it not ready for farmer decision making.**
3. OSU is doing the coding and they are now adding the ARC-IC (individual ARC). I would estimate another two weeks assuming we get the missing FSA T-yield data file. FSA will post this FSA T-yield file on their national website when it is finished. I am sure FSA in Washington is under a lot of pressure to finish this file, because farmers may elect a commodity program for the next five years starting November 17. However, I see no reason to sign up early. Farmers have until March to make their final 5 year decision on FSA commodity programs.
4. ARC-IC has a \$125,000 payment limit, and that limit is the same for PLC and ARC-CO.
5. The new FSA commodity program for dairy does not have a payment limit and is the only FSA program without a payment limit.

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, October 7, 2014, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

6. The implementation of the new 50% rule that allows farmers to exclude that year's yield from their crop insurance APH has been moved up to this spring. However, if it had been available on winter wheat, Kansas wheat farmers would not have been able to delete their 2014 yield from their APH, because the 2014 county yield has not been published. Also, some people were assuming farmers could delete a yield if it were 50% below the farm's average. That is not correct. It is far more difficult for the county yield to fall below a moving 10-year county average yield. This 50% rule is not nearly as good as farmers think it is, nor as bad as the insurance companies think it is. We also don't have a clue on how this will be rated.
7. By March, KSU will be able to say something about this year's program payments and the program that is likely to pay the most. We will also have some clue about the next year's price. As a rule of thumb, the Market Year Average (MYA) corn price will need to be about \$3.15 before PLC will pay more than ARC-CO. So farmers who are trying to maximize their government payments will need to make the decision of whether prices be this low over the next 5 years. Farmers who are broke with a \$3 MYA corn price (your elevator price would likely be even lower) would likely select PLC, even if they think prices are not likely to be that low, but they cannot afford the risk of \$3 corn. Also, remember that all of these payments are paid to the farmer a year or more after harvest.
8. This is a 5 year program, so farmers must also remember the guarantee will change over the next 5 years, and there is little we know about yields or prices in the last three years of the program. So farmers will make their selection based a price forecast (it will likely be their own estimate). I would suggest most farmers will assume average yields for the final 3 years of the program. Currently we are estimating that next year's wheat price used to set the wheat ARC guarantee will be higher, but one's ARC-CO guarantee could decline because of a lower Olympic average county yield. If next year's moving 5-year Olympic average county yield is lower, then even with a higher wheat price, the ARC-CO guarantee could be lower.

We have moved all of the commodity analysis and papers to a single location on AgManger.info. You can find it at: www.agmanager.info/policy/commodity/2012/default.asp

If you have additional questions you can contact Robin, Mykel or myself.

Art Barnaby: 785.532.1515; barnaby@ksu.edu

Mykel Taylor: 785.532.3033; mtaylor@ksu.edu

Robin Reid: 785.532.0964; robinreid@ksu.edu

G. "Art" Barnaby, Jr., Ph.D.
Professor &
Extension State Leader; Ag Economics
Department of Ag. Economics
Kansas State University
Manhattan, KS 66506
Phone: 785.532.1515
E-mail: barnaby@ksu.edu