OSU-KSU Farm Bill Decision Aid
by J. Campiche, E. DeVuyst, G.A. Barnaby, and M. Taylor

Disclaimer
• This information is based on my understanding of the 2014 Farm Bill
• This information is intended for educational purposes only
• Keep checking www.AgManager.info for updated information

Excel-based spreadsheet
• Can be downloaded from www.AgManager.info

Information you will need
• FSA report 156EZ for each farm
• FSA program yields
• Commodity base acres
• Farm yields 2008-2012
• APH/crop insurance information
• Expected plantings 2014-2018

Updates continuously posted
• Monthly update of prices
• Please report errors or questions

Input your farm information
• Select your state, county
• Select your crops

Data in spreadsheet for all states, counties, and crops
• Updates to these data will be made as FSA makes data available

Data for each farm can be saved spreadsheet
• Allows you to run different yield and price scenarios without re-entering your farm data
• APH
  • From crop insurance records
  • Will be used for SCO calculations

• FSA data
  • Enter your base acres and program yields for all crops
  • Decision to update based on calculations
  • Notes in spreadsheet help

• Next steps require your expectations of the future...
  • Enter your plans for planted acres by crop
  • Enter expected prices

• Updating yield and base?
  • Results presented with higher of current/updated yields
  • Results with both reallocated and current base

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<tr>
<th>Crop</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<td>30</td>
<td>30</td>
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<td>bu/acre</td>
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<td>Wheat_Winter</td>
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<th>Your Farm's Historical Yields</th>
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<th>2012</th>
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<tr>
<th>Your Farm's Update Yields with Plug Yields</th>
<th>County Substitute Yield</th>
<th>40% of Updated Average</th>
<th>Current FSA Yield</th>
<th>Updated FSA Yield</th>
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<td>4.250</td>
<td>5.750</td>
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• Now you can work on the programs...

- ARC-IC
  - Input projected yields
  - Yields
    - Use linear trend, average
    - Custom yields (used APH)
  - Prices
    - Use FAPRI (2014)
    - Custom prices (low in 2017)

- ARC-County
  - Input projected yields
  - Yields
    - Use linear trend, average
    - Custom yields (in 2015)
  - Prices
    - Use FAPRI (for 2014)
    - Custom prices (low in 2017)
• ARC-CO Example
  • 2015 is a drought year
  • 2017 has low prices (below the reference prices)

• Payments in both years
  • Either low yields or low prices will trigger ARC-CO
  • Payment limits at 10% of county revenue

• NPV of payouts is greater for updated base acres

ARC-CO will trigger for either low yields (2015) or low prices (2017) because it is based on revenue.

• PLC example
  • Payments triggered when prices fall below reference prices
  • No per acre payments limits

• Highest payout
  • 2017 due to low prices (below the reference prices)

• Updating base acres not impactful

• SCO
  • Stacked on your existing crop insurance
  • Coverage up to 86%
  • Same product as underlying crop insurance (e.g. RP, RP-HPE, Y)

• Coverage by county
  • Only certain crops available
  • More crops in future years
  • Decision to enroll is annual

• Only get SCO with PLC!

SCO payout for low county yield year only. Rest of years are a net cost (premium).

• Results
  • Calculated using the NPV of payments across all years for each crop and program combination

• Comparison of results using updated and current base acres

• Optimal program may vary by crop

The Good, the Bad, and the Ugly!!

Expected SCO Payments Net of Premiums

Differences between payouts may not be large and are highly dependent on data you enter.
What to choose?

• Best fit for your farm will depend on your preferences for risk management
  • Protection against catastrophic price declines (PLC)
  • Protection against shallow revenue losses (ARC)

Or....

• Highest program payments
  • Payment in 2014-2015 likely for both ARC-CO (wheat: yield loss, others: price loss) and PLC (sorghum?)
  • How good you are at guessing where prices and yields will be in future years?

Resources for you...

www.AgManager.info
Click on the Farm Bill Icon!
• Frequently Asked Questions
• Reallocating Base
• Updating Program Yield
• Articles on Price Forecasts
• Decision Tool
• Much more!!!

USDA-FSA decision aids: ARC/PLC, Dairy
www.fsa.usda.gov/FSA

Farm Bill In-Depth Educational Meetings:
• January 12: Wichita
• January 13: Pittsburg
• January 14: Emporia
• January 15: Ottawa
• January 20: Salina
• January 21: McPherson
• January 22: Pratt
• January 26: Goodland
• January 27: Scott City
• January 28: Liberal
• January 29: Dodge City
• February 10: Phillipsburg
• February 11: Hays
• February 12: Frankfort
• February 13: Atchison

Other models:

Both available at: www.fsa.usda.gov/arc-plc

National Association of Agricultural and Food Policy (NAAFP) led by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri, and the Agricultural and Food Policy Center (AFPC) at Texas A&M University

National Coalition for Producer Education (NCPE), led by the University of Illinois

2014 Farm Bill

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