Extension shopper article for 3-10-15

STEP #3 SELECTING FARM BILL PROGRAM(S)

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This article is a continuation of the 2-17-15 article that discussed the first two steps in the farm bill decision. Those were to update the farms base and or yield or not. This article discusses the final decision, choosing the program(s) for each commodity or farm.

Decision to be made: Price Loss Coverage (PLC) or County Agricultural Risk Coverage (ARC-CO) for each commodity

–OR- Individual Agricultural Risk Coverage (ARC-IC) for entire farm

Strategy: There are many issues to think about when selecting a farm program.

RISK MANAGEMENT: If you are worried about catastrophic price loss, PLC will offer the most risk protection. It does not cap out until $125,000 ($250,000 with spouse) per year and will pay when Marketing Year national prices are below the reference prices set for the life of the Farm Bill. ARC provides protection for revenue losses (losses in price and/or yield) but caps out at 10% of benchmark revenue. It also has a 14% deductible before it kicks in, so only losses from 76% to 86% of benchmark revenue are covered. To hedge your bets, you may consider putting some commodities in PLC and some in ARC-CO.

PAYMENT MAXIMAZATION: You have to estimate the likelihood of payments under each program, as well as the potential payment amount to determine which program will have the most benefits over the entire life of the farm bill. Look at long-term projections for national Marketing Year prices and consider your own price forecasts. If you think national prices will be lower than PLC reference prices in several years, choose PLC because it could pay out more often and in greater amounts than ARC. If you think the combination of national prices and county yields will be the lower than the benchmark revenue for your county in several years, choose ARC as it likely pay more often.

ARC COUNTY VS. INDIVIDUAL: ARC-IC only pays on 65% of the entire farm base, where PLC or ARC-CO pays on 85% of base acres for each commodity with base. This is a large difference to overcome, so most farmers will not consider ARC-IC. Farmers with very high yields (at least 30% higher) compared to the county yield may consider ARC-IC since benchmark revenue will be higher. This will create larger payments per acre before ARC caps out at 10% of benchmark revenue. However, if the farm is diversified (planting many different covered commodities), they may prefer the ARC at the county level, since losses will be paid commodity by commodity. Losses in one commodity will not be offset by higher revenue from another, which could happen in ARC-IC.

What is needed: You will need to elect a program with FSA, which you will be locked into for the life of the Farm Bill. You will need to enroll each year to verify you are still farming and are eligible for payments.

Timeline: You can elect a program through March 31st, 2015. If you fail to do so, you will give up any 2014 payments and be defaulted to PLC. Enrollment will occur after this, and in a similar time period in coming years. The timeline for enrollment will be announced at a later time.

More Information: There are many publications on Farm Bill page of www.AgManager.info including the OSU-KSU Decision Tool and announcements on upcoming educational meetings.

Additional information about the Farm Bill is also available in our office or at www.butler.ksu.edu

If you would like for me to help you with the Decision tool spreadsheet, this service is available for a fee of $50 per farm that is analyzed. Contact me for an appointment.