



FARMER  AC

Refresh Webinar

September 10, 2014

Farmer Mac Road Shows 2014

- September 11-12
 - North Platte, NE, Columbus, NE
- September 15-19
 - Owatonna, MN, La Crosse, WI, Fort Dodge, IA, Fairfield, IA, Maryville, MO
- September 22-26
 - Madison, WI, Waterloo, IA, Quad Cities, IA, Bloomington, IL, Hannibal, MO
- September 29-October 3
 - West Lafayette, IN, Lansing, MI, Findlay, OH, Louisville, KY, Mt. Vernon, IL



EVALUATING NEW FARM PROGRAM OPTIONS

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Producers & Land Owners have many choices to make

“Should I

- ...use current or **reallocated** base acres?
- ...update my FSA payment **yields**?
- ...choose ARC or PLC?
- ...choose **county** (ARC-CO) or **individual** farm (ARC-IC)?
- ...make different choices for different farms & crops?
- ...get **SCO** (Supplemental Crop Option) with PLC in 2015?

Today's Topics

1. Implementation Timeline
2. Base Acre Reallocation
3. Updating FSA Payment Yields.
4. Understanding the PLC program.
5. Understanding the ARC-CO program
6. The dynamics of the ARC-IN program.
7. Comparing ARC-CO and PLC

Implementation of FSA Farm Programs

- Will be implemented for 2014 Crop Year, except for Cotton.
- Crop Ins. changes will not occur until 2015.
- Base Acre & Yield Info. was sent to farm operators & land owners.
> Errors need to be reported to FSA Offices by Sept. 26.
- Base Acre Reallocation & FSA Yield Update will likely begin soon.
- PLC & ARC sign-up likely to begin in late Fall & continue until early 15.
- Program sign-up will require Land Owner signatures.
- No 2014 Payments until Oct., 2015.
- Pay attention to official FSA letters & information.

Base Acre Reallocation

All PLC & ARC farm program payments will be figured on **crop base acres** (not **planted** crop acres.)

Choice for 2014-2018 farm programs

Keep existing crop base acres (from 2013)

or

Reallocate crop base acres

(Based on average planted acres from 2009-2012)

Key Points on Base Acres

- All PLC and ARC payments paid on crop base acres. Producers can receive payments even if crop **not raised**.
- Total crop base acres (2014-18) can not exceed **existing** crop base acres.
- Base acre reallocation based on FSA ***Farm Units***.
- Official Base acres were sent out by the FSA Offices & need to be reviewed by Sept. 26.
- “No Choice” --- Keep 2013 Base Acres.

Base Acre Example

	Corn	Soybeans	Wheat	Total
2013 base acres	50	35	15	100
Planted acres				
2009	80	40	0	120
2010	80	40	0	120
2011	80	40	0	120
2012	80	40	0	120
2009-12 average	80	40	0	120
<i>Weighted acres%</i>	<i>0.67%</i>	<i>0.33%</i>	<i>0</i>	
New base acres	67	33	0	100

Updating FSA Program Yields

- PLC program payments will be paid on established or updated FSA payment yields.
- ARC payments will be based on county or farm yields.

Landowner has choice for PLC payment yields:

Keep existing CCP payment yields (from 2013)

Or

Update FSA payment yields

(90% of actual farm unit yields from 2008-2012)

Key points on updating FSA yields ...

- Take advantage of opportunity to updating yields.
Current CCP payment yields set in 2002 or earlier.
- FSA yield updates based on *FSA Farm Units*.
(May differ from *Crop Insurance Units*.)
- “Plug Yield” used, if farm yield less than 75% of county average.
- “No Decision” --- You keep current CCP yields.

Example: Updating FSA Yields

	Corn	Soybeans	Wheat
CCP Yield	145	43	40
Farm yield			
2008	190	n/a	n/a
2009	180	48	n/a
2010	200	n/a	n/a
2011	185	46	n/a
2012	140	35	n/a
2008-12 average	179	43	n/a
x 90%	0.90	0.90	0.90
Updated Yield	161	39	n/a

Final thoughts on Updating FSA Program Yields

- Good idea to update program yields on all farm units when there is an advantage.
- Farm operators --- Work with your landlords.
- *FSA Farm Units* are different than *Crop Ins.Units*.
- FSA yield & base acre decisions stay with a FSA farm unit, even if farm is sold or rented to another farm operator (2014-2018).
- Updated FSA program yields will likely continue in Farm Bills beyond 2018.

The PLC Program
(Price Loss Coverage)

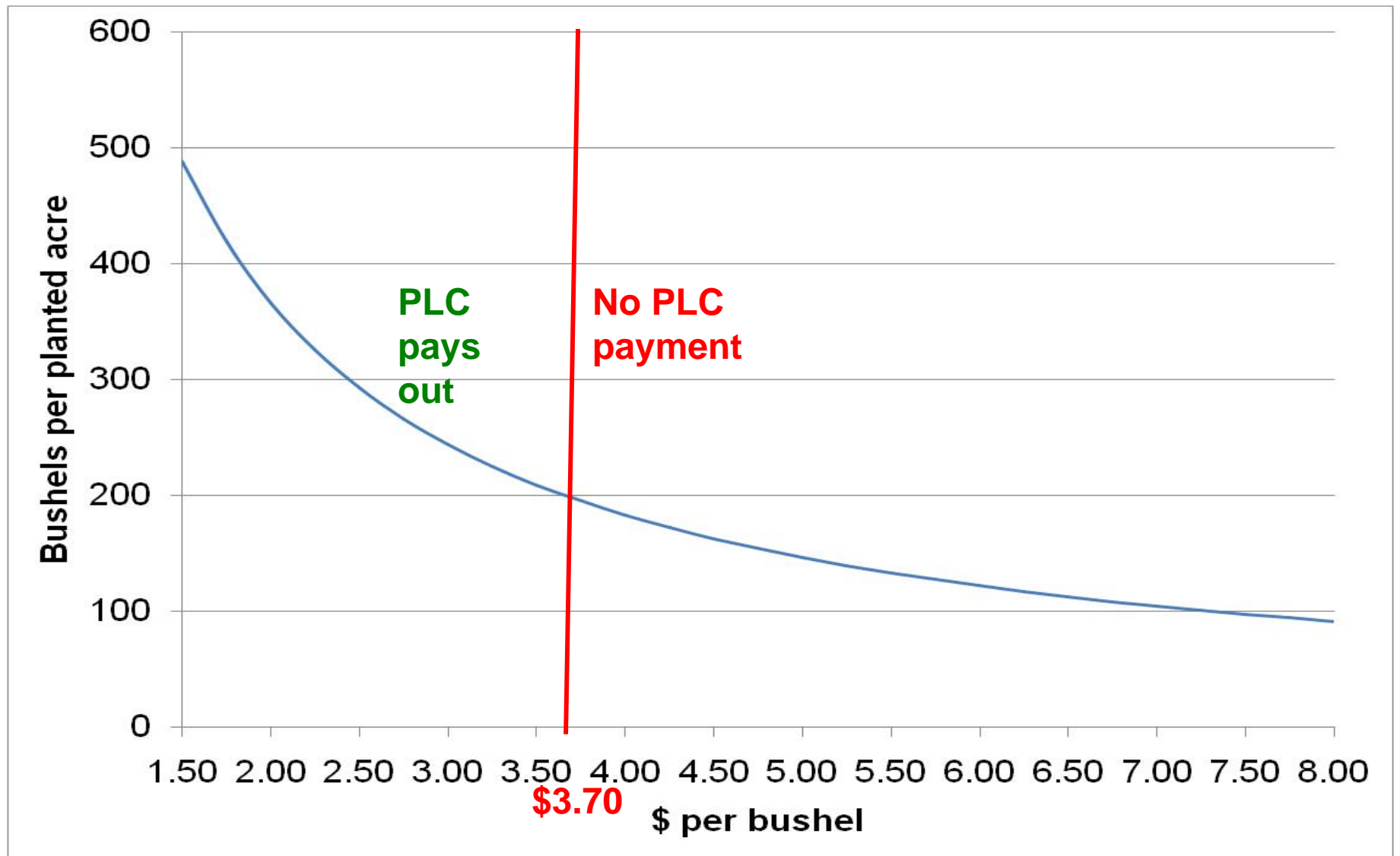
Highlights of the PLC Program

- Based on fixed reference prices. (target prices)
- Payments occur once the **MYA Price** (12-month national average price) falls below the reference prices.
- Payment factor = 85% (.85) of base acres.
- Payment yields for 2014-2018 are either updated yields (2008-2012) or existing CCP yields (2013).
- Producers in PLC are also eligible for the SCO Insurance option.

PLC Reference Prices

	Corn	Soybeans	Wheat
Reference prices (2014-18)	\$3.70	\$8.40	\$5.50
Target prices (2008-2013)	\$2.63	\$6.00	\$4.17
CCC loan rates (same)	\$1.95	\$5.00	\$2.94

PLC Payments for Corn



PLC Payment Example for Corn

Assumptions : \$3.70/ Bu. Ref. Price

160 Bu./A FSA Program Yield

Payments on 85 % of Base Acres.

MYA Price (per Bu.)	Payment Rate (per Bu.)	PLC Payment per Base Acre
\$3.90	0	0
\$3.70	0	0
\$3.50	\$.20	\$27.20
\$3.00	\$.70	\$95.20
\$2.50	\$.1.20	\$163.20

PLC Payment Example for Soybeans

Assumptions : \$8.40/ Bu. Ref. Price

45 Bu./A FSA Program Yield

Payments on 85 % of Base Acres.

MYA Price (per Bu.)	Payment Rate (per Bu.)	PLC Payment per Base Acre
\$10.35	0	0
\$8.40	0	0
\$8.00	\$.40	\$15.30
\$7.00	\$1.40	\$45.90
\$6.00	\$2.40	\$91.80

PLC Payment Example for Wheat

Assumptions : \$5.50/ Bu. Ref. Price

45 Bu./A FSA Program Yield

Payments on 85 % of Base Acres.

MYA Price (per Bu.)	Payment Rate (per Bu.)	PLC Payment per Base Acre
\$6.30	0	0
\$5.50	0	0
\$5.00	\$.50	\$19.13
\$4.50	\$1.00	\$38.25
\$4.00	\$1.50	\$57.38

Key Provisions of the ARC-CO Program (County)

- Utilizes a County “rolling avg.” yield (5-year).
- **Benchmark Revenue = 5-Year “Olympic” Avg. County Yield (OA) & MYA Price (OA) for 2009-2013.**
County “Plug Yields” can be used for low yield years.
- **Payments triggered once the actual revenue in a year falls to 14 % below the benchmark revenue.**
(Actual NASS County Yield x 12-Mo. MYA Price.)
- **Payments occur from 86-76 % of Revenue (10%).**
- **Payment Factor --- County = 85 % of Base A.**

5-Year Olympic Average Prices

Year	Corn	Soybeans	Wheat
2009	\$3.55/\$3.70	\$9.59	\$4.87/\$5.50
2010	\$5.18	\$11.30	\$5.70
2011	\$6.22	\$12.50	\$7.24
2012	\$6.89	\$14.40	\$7.77
2013	\$4.45 (*)	\$13.00 (*)	\$6.87
Olym. Ave.	\$5.28	\$12.27	\$6.60

Accessing NASS County Yield Data

- Go to the NASS web site:

<http://quickstats.nass.usda.gov>

- Follow the prompts for :

- > Crop
- > Yield data
- > State & County
- > Years (2009-2013)

ARC-CO Benchmark Example --- Corn

Benchmark Rev. = 177 Bu./A. x \$5.28/Bu. = \$934.56/A.

Revenue Guar. : \$934.56/A. x .86 = \$803.72/ Acre

Year	County Yield	MYA Price	ARC Price
2009	184	\$3.55	\$3.70
2010	186	\$5.18	\$5.18
2011	146	\$6.22	\$6.22
2012	174	\$6.89	\$6.89
2013	174	\$4.45 (*)	\$4.45
Olym. Ave.	177	(*) est.	\$5.28

ARC-CO Payment Example #1 --- Corn

Assumptions : Revenue Guarantee = \$803.72/A.

Actual 2014 Yield = 177 Bu./A

Payment Factor = 85% of Base A. (.85)

2014 MYA Price	ARC Revenue	Payment Rate/Acre	Payment/ Base Acre
\$3.30	\$584.10	\$93.46	\$79.44
\$3.60	\$637.20	\$93.46	\$79.44
\$3.90	\$690.30	\$93.46	\$79.44
\$4.20	\$743.40	\$60.52	\$51.44
\$4.50	\$796.10	\$7.62	\$6.48
Max. Amt.	N/A	\$93.46	\$79.44

ARC-CO Payment Example #2 --- Corn

Assumptions : Revenue Guarantee = \$803.72/A.

USDA MYA Price Est. = \$3.90/Bu.

Payment Factor = 85% of Base A. (.85)

2014 Co. Yield/Price	ARC Revenue	Payment Rate/Acre	Payment/ Base Acre
162 / \$4.90	\$793.80	\$9.92	\$8.43
172 / \$4.20	\$722.40	\$81.32	\$69.12
177 / \$3.90	\$690.30	\$93.46	\$79.44
182 / \$4.20	\$764.40	\$39.32	\$33.42
187 / \$4.25	\$794.75	\$8.97	\$7.62
Max. Amt.	N/A	\$93.46	\$79.44

Highlights of the ARC-IN Program

- **Uses individual data** --- Entire Farm Unit must use the 'individual' option for all crops.
- **Benchmark Revenue** = 5-year Olympic Avg. Revenue for all crops (*“weighted”*).
- **Payment trigger:** Actual *“weighted”* revenue for all crops falls 14% below benchmark revenue.
(Actual individual yield x MYA price for each crop.)
- **Payment range:** From 86-76% of revenue (10%).
- **Payment factor (ARC-IN) = 65% of Base Acres.**
(85% for ARC-CO & PLC.)

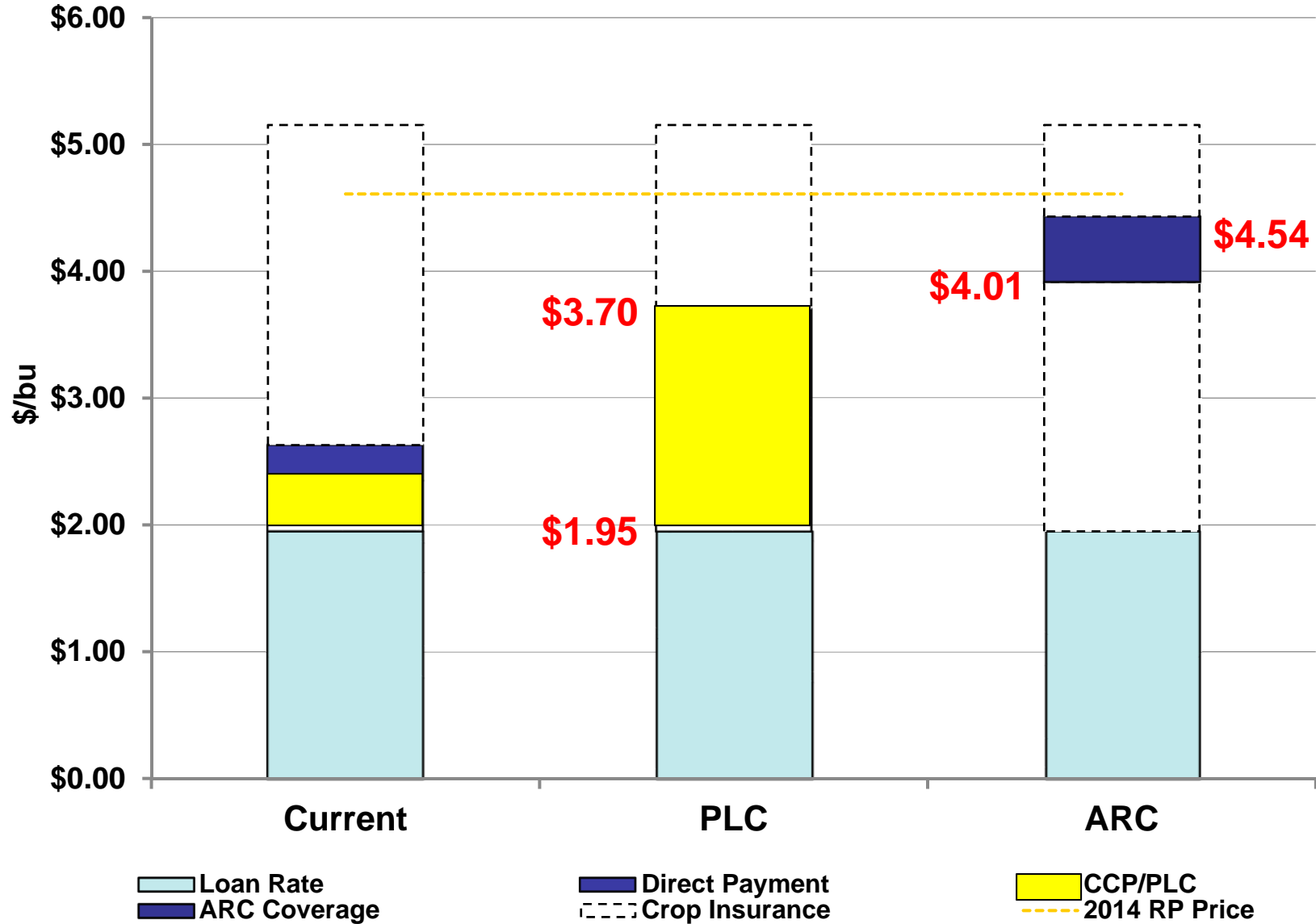
Consider ARC-IN

- On high yielding farm units in Counties with low benchmark yields. (**+30% above County yields.**)
- On farm units that are highly susceptible to natural disasters.
- There are concerns over payment limits.
- **But remember**
 - > **ARC-IN pays at 65% of base acres.**
 - > **May be earlier to qualify for ARC-CO payments.**
 - > **May be hard to explain ARC-IN to landlords.**

Payment Limits

- \$125,000 per person.
\$250,000 per couple.
- Includes ARC, PLC, & Mktg. Loans (LDP's).
- No limit on Crop Ins. or SCO payments.
- \$900,000 AGI limit.
- Enhanced rules for “Actively Engaged”.

Comparing 2014 Corn Options



Disclaimer: subject to rulemaking

PLC or ARC?

- **Too early** to declare in most situations. (Sign-up later.)
- ARC-CO may offer the most protection for corn & soybeans for 2014 & 2015 (unless Prices “crash”).
- Remember --- This is a **5-year decision** (2014-2018).
- **Default** decision is PLC (2015-2018).
No decision = No 2014 payments.
- Decisions will likely **vary** by state, county, farm & crop.
- **Spreadsheets** are being developed by Universities.

NEW FARM BILL RESOURCES

- **USDA FSA Web Site**

www.fsa.usda.gov/FSA/

- **U of Illinois Farmdoc Web Site**

www.farmdoc.illinois.edu/

- **U of Missouri Food & Ag Policy Institute**

www.fapri.missouri.edu/

- **Texas A & M Ag & Food Policy Center**

www.afpc.tamu.edu/



Questions?



Thank You

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