Volume 18 | Issue 6 Article 1

2015

New farm program to provide enrollment decisions

Steven D. Johnson
Iowa State University, sdjohns@iastate.edu

$$

Ag Decision Maker

$$

A Business Newsletter for Agriculture

Vol. 18, No. 6 www.extension.iastate.edu/agdm *April 2014*

New farm program to provide enrollment decisions

By Steven D. Johnson, PhD, ISU Extension and Outreach farm management specialist, 515-957-5790, sdjohns@iastate.edu

The 2014 farm bill is now law and USDA Farm Service Agency (FSA) officials are writing rules and regulations to carry out new programs. The five-year farm bill eliminates direct payments, Counter-Cyclical Payments (CCP) and the Average Crop Revenue Election (ACRE) programs for commodity crops. Replacing them are some new risk management options that farmers must choose from by FSA farm number.

Crop insurance remains the backbone of the farm financial safety net. It will be augmented by the new farm program. Farmers can invest in their own risk management by buying crop revenue insurance so they are protected annually should a decline in yield and/or a drop in futures price occur.

To protect farmers from multiple year downturns in cash prices or a decline in revenue, the new bill introduces two new programs. Farmers will choose between a revenue program that covers price and yield losses, Agricultural Risk Coverage (ARC), and a price-only program known as Price Loss Coverage (PLC). It will be several months before the new USDA farm program sign-up begins – probably next winter.

Crop coverage options

Farmers who choose ARC will have to decide whether to enroll in county ARC on a commodity-by-commodity basis or choose an individual farm ARC that combines all the program commodities on the farm.

Payments for the county ARC occur when actual county yield times the national marketing price for a commodity is below the ARC revenue guarantee for that crop year. Farm ARC would issue payments depending on whole farm revenue because program commodities are combined. The program covers losses on 85 percent of the base acres for the county option and 65 percent of base acres for farm coverage.

continued on page 2

Handbook updates

For those of you subscribing to the handbook, the following new updates are included.

2014 Corn and Soybean Loan Rates – A1-34 (2 pages)

Historic County Farmland Values – C2-72 (10 pages)

Farmland Value Survey (Realtors Land Institute) – C2-75 (2 pages)

Please add these files to your handbook and remove the out-of-date material.

continued on page 6

Inside . . .

IOWA STATE UNIVERSITY
Extension and Outreach

Ag Decision Maker is compiled by extension ag economists
Ann Johanns, aholste@iastate.edu
extension program specialist

New farm program to provide enrollment decisions, continued from page 1

The ARC guarantee provides a range of revenue protection from 76 to 86 percent of historical revenue, with farmer-purchased crop insurance expected to cover deeper losses. Farmers who enroll in ARC may not buy Supplemental Coverage Option (SCO) insurance beginning in 2015 because they are very similar products.

PLC is a target-price program that makes payments when national average cash crop prices drop below a “reference price” set in the farm bill. The reference prices are $3.70 per bushel for corn, $8.40 per bushel for soybeans and $5.50 per bushel for wheat. Beginning in 2015, PLC enrollment also allows the purchase of SCO insurance to reduce the traditional crop insurance deductible levels. Only farmers enrolled in the PLC program may buy SCO insurance. County yields are used.

Farmers along with their landowners on rented ground have to make a one-time, irrevocable decision to enroll a farm in ARC or PLC for the life of the five-year farm bill. If a farmer doesn’t make a decision, farms are automatically enrolled in PLC beginning in 2015.

To help decide which program to use, farmers may have to review historical planted acres due to the one-time choice of reallocating base acres using the average for the years 2009 through 2012. However, the reallocation of acres by crop cannot exceed the total historical base acreage. In addition, farmers might want to compare yield information for their farms to their county yields for the years 2008 through 2012.

Payment triggers for both the ARC and PLC programs are based on marketing year average prices. Any payments for revenue or price losses won’t be made until the year following a loss.

More information to come

It is too early to know for sure which program will be best for Corn Belt farmers, as the final rules and regulations are not yet known. Once USDA releases the information, farmers and landowners will have time to make enrollment decisions.

Farmers will need to consider how the two programs will work over the life of the five-year farm bill or through the 2018 crop year.

When rules and regulations are finalized, information will be available through the Ag Decision Maker website and your ISU Extension and Outreach farm management field specialists.

New 5-Year Farm Program (2014-2018)