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New and updated Iowa State University farm bill tools

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New and updated Iowa State University farm bill tools

By Alejandro Plastina, extension economist, plastina@iastate.edu, 515-294-6160

As part of the strategy to educate agricultural producers and farm-land owners about the new farm programs under the 2014 Farm Bill, ISU Extension and Outreach staff have provided educational resources through multiple outlets. Farm Management Specialists from Iowa State University Extension and Outreach, along with USDA Farm Service Agency staff have been providing an overview of the options available through educational programming across the state this winter. A Web page dedicated to Farm Bill information was created on the Ag Decision Maker website (www.extension.iastate.edu/agdm/info/farmbill.html). The website includes Information Files, Decision Tools, meeting information, webinars, and links to USDA resources. The Decision Tools focus on evaluating expected payments

under different combinations of programs. The “[Base Acreage Reallocation and Payment Yield Update](#)” Decision Tool and the “[ISU Farm Bill Analyzer](#)” Decision Tool have been available on the Ag Decision Maker website for several months. These Decision Tools are updated frequently as new information becomes available.

Since these tools became available, they have been heavily used by Iowa producers and land owners. We have received great feedback on these resources and continue to improve the spreadsheets to include refinements in the USDA programs and address common questions from our users.

Along with the resources already available, new this month is a *Farm Bill Calculator* as well as a simplified version of the existing *Analyzer* including

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Handbook updates

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

Historic Hog and Lamb Prices - B2-10 (4 pages)

Historic Cattle Prices - B2-12 (6 pages)

Lean Hog Basis - B2-41 (1 page)

Live Cattle Basis - B2-42 (1 page)

Feeder Cattle Basis - B2-43 (1 page)

Feeder Steer-Heifer Price Spread - B2-45 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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additional information on the interpretation of the simulation results. Both worksheets address five combinations of programs at the whole farm level: PLC for corn and soybeans, ARC-CO for corn and soybeans, PLC for corn and ARC-CO for soybeans, PLC for soybeans and ARC-CO for corn, and ARC-IC.

The *Calculator* (www.extension.iastate.edu/agdm/crops/html/a1-36.html) reports annual payments for alternative combinations of farm programs, based on historical farm production data and the user's expectations about planted area, prices and yields. A chart illustrates the differences in net present values of payments across alternative combinations of programs. The *Calculator* is strictly based on the data provided and does not include any simulations.

The simplified *Analyzer* (www.extension.iastate.edu/agdm/crops/html/a1-33.html) still relies on simulations of prices and yields (to reflect their uncertain nature), but it focuses only on farm programs (no crop insurance), and it reports both annual expected payments and the probability that the actual payment be lower than or equal to an expected payment. The *Analyzer* also highlights the first- and second-best combinations of programs for each of the following goals:

- 1) Minimize the probability of not receiving payments.
- 2) Maximize Low, but Likely Payments (payment surpassed 75 percent of the time by simulated payments)
- 3) Maximize High, but Unlikely Payments (payment surpassed 25 percent of the time by simulated payments)
- 4) Maximize the probability of receiving payments greater than the Expected Payments

The simplified *Analyzer* complements the numerical analysis with eight charts that illustrate, for each of the five program combinations:

- 1) The annual probability of no payment (the lower the better!).

- 2) The average annual probability of not receiving a payment 2014-2018.
- 3) The annual low, but highly likely payment, i.e. the payment surpassed 75 percent of the time by simulated payments.
- 4) The net present value 2014-2018 of low, but highly likely payments.
- 5) The annual high, but highly unlikely payment, i.e. the payment surpassed only 25 percent of the time by simulated payments.
- 6) The net present value 2014-2018 of the high, but highly unlikely payment.
- 7) The expected annual payment, i.e. the average annual payment over 500 simulations.
- 8) The net present value 2014-2018 of expected payments, and the associated probabilities of receiving payments lower than or equal to the expected payments.

On a technical note, each of the 500 simulations of yields and prices per year are centered on the projected values provided by the user. So the average of the 500 prices and yields simulated for each year will be very close to the projected prices and yields provided by the user. However, some simulated prices (or yields) for a particular year will be much lower or higher than the projected price (or yield) for that year. As a result of the simulations, the simplified *Analyzer* might report positive expected payments for PLC even when the projected prices are higher than the reference prices. However, the simplified *Analyzer* will also likely show that the probability of receiving a PLC payment under those projected prices is low. Furthermore, the *Analyzer* enables the user to compare expected payments and probabilities across programs on a year-by-year basis as well as over the 2014-2018 period.

The *Calculator* and the *Analyzer* share a number of characteristics. They both have historical county production data and national price data

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embedded in their structures to eliminate the need for external data. As a starting point for price expectations, the user can choose from three sets of price projections: USDA, Food and Agricultural Policy Research Institute (FAPRI) and futures prices. However, all prices and yield projections can be overwritten to reflect the user's expectations. The impact of base acreage reallocation on program payments can also be evaluated with both worksheets.

With the Yield Update and Base Acre Reallocation decisions, and the Election decision looming upon us (February 28 and March 31, respectively), the *Calculator* and the simplified *Analyzer* are expected to provide producers and land owners with additional insights for the decision process.



Retirement resources for every age

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No matter how close or far Iowans are from retirement, the new “[Retirement: Secure Your Future](#)” Web page from Iowa State University Extension and Outreach will help them prepare, said Barb Wollan, a human sciences specialist in family finance.

The Web page includes resources for three general audiences: those who are just starting to prepare for retirement, those in mid-career and those who are nearing retirement. It includes publications on a wide range of topics, all available for free online review or download. Video learning modules, usually 10 to 20 minutes in length, also are available on specific topics.

“Currently three modules are available. We expect to add several more in the next month or two, and build the collection over time,” Wollan said.

“Our goal is to provide information that can help people understand their retirement planning decisions,” Wollan said. “For example, young adults often will tell us, ‘I’ve got plenty of time before I retire; right now I have other things to worry about.’ Many young adults don’t realize



Begin by planning today



Give your old plan a tune up to meet life changes



Take steps now to make your resources last a lifetime

the tremendous retirement benefit they will gain by starting early, even if they only set aside a small amount each month. One of the publications and an upcoming module help to explain this concept.”