



# Ag Decision Maker

A Business Newsletter for Agriculture

Vol. 22, No. 11

www.extension.iastate.edu/agdm

September 2018



## What can Iowa farmers expect from ARC/PLC and the Trade Assistance Package in 2018?

By Alejandro Plastina, extension economist, 515-294-6160, plastina@iastate.edu and Chad Hart, extension economist, 515-294-9911, chart@iastate.edu; Iowa State University

While few Iowa farms will receive payments this fall from the current farm bill programs ARC or PLC, payments will be made across the state to current producers through the Market Facilitation Program, one component in the trio of programs included in the short-term tariff relief package.

### ARC/PLC Payments in 2018

Farm Bill payments will not bring any relief to farmers in most Iowa counties with strained working capital in 2018. ARC-CO payments on corn base acres will only be triggered in six counties in Iowa, and will average \$26.13 per base acre. After 6.8 percent sequestration, the expected 2017/18 ARC-CO payments per base acre are: \$48.76 in Davis County, \$4.22 in Jefferson County, \$3.97 in Mahaska County, \$15.32 in Union County, \$50.62 in

Van Buren County, and \$33.90 in Wapello County.

ARC-CO payments on soybean base acres will be triggered in five counties in Iowa, and will average \$19.71 per base acre. After sequestration, the 2017/18 payments per base acre are projected at \$37.85 in Davis County, \$7.02 in Jefferson County, \$7.05 in Lucas County, \$39.58 in Van Buren County, and \$7.03 in Wapello County.

PLC payments per corn base acre will be triggered for the third consecutive year in 2018. Using FSA PLC yields, average payments will range from \$23.29 in Lucas County to \$41.35 in Grundy County, averaging \$34.65 across the 99 Iowa counties. However, since only about one percent of all Iowa base crop acres are enrolled in the PLC program, the impact of PLC payments on Iowa farms is

very limited. There will be no PLC payments for soybean base acres in 2018, as in all previous years since the implementation of the 2014 Farm Bill.

*continued on page 2*

### Handbook updates

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

**Pricing Forage in the Field** – A1-65 (4 pages)

Please add these files to your handbook and remove the out-of-date material.

*continued on page 6*

### Inside . . .

- Overcoming the cash flow crunch ..  
.....Page 4
- National Farm Safety and Health  
Week, September 16–22, 2018  
.....Page 5

What can Iowa farmers expect from ARC/PLC and the Trade Assistance Package in 2018?, continued from page 1

The checks from FSA with ARC-CO and PLC payments for the 2017/18 are expected to start arriving in October.

Based on the first four years of the current Farm Bill, choosing ARC-CO was not the best choice for all farms with corn base acres:

- Eleven counties didn't receive any ARC-CO payment on their corn base acres since the implementation of the program (while PLC payments were triggered in all Iowa counties): Appanoose, Clarke, Decatur, Henry, Keokuk, Lucas, Monroe, Ringgold, Warren, Washington and Wayne.
- For 26 counties, the nominal value of all payments per base acre over the last four years under the ARC-CO program fell short of the corresponding value under the PLC program: Adair, Calhoun, Chickasaw, Dallas, Davis, Des Moines, Fremont, Guthrie, Hamilton, Iowa, Jasper, Jefferson, Lee, Louisa, Madison, Mahaska, Marion, Page, Polk, Pottawattamie, Poweshiek, Sac, Scott, Union, Van Buren and Wapello.

For farms with soybean base acres, ARC-CO was typically a better choice than PLC given the null payments issued by the latter program over the last four years. Eighty-seven counties received ARC-CO payments for their soybean base acres at least once since 2015. However, the following 12 counties did not receive an ARC-CO payment for soybean base acres in any year: Adair, Appanoose, Calhoun, Carroll, Cerro Gordo, Guthrie, Henry, Madison, Mitchell, Monroe, Sac, and Worth.

Finally, three counties in South Central and Southeast Iowa did not receive any ARC-CO payment for corn or soybean base acres over the four years: Appanoose, Henry, and Monroe.

For more detailed information by county, see the online decision tool "ARC/PLC Payments per Base Acre in Iowa" at [www.card.iastate.edu/tools/farm-bill/arc-plc/](http://www.card.iastate.edu/tools/farm-bill/arc-plc/), or download the ARC-CO/PLC Projected Payments calculators from [www.extension.iastate.edu/agdm/info/farmbill.html](http://www.extension.iastate.edu/agdm/info/farmbill.html).

**Trade Assistance Package in 2018**

On August 27, 2018, USDA announced the details for the short-term tariff relief package. The trio of programs making up the relief package is authorized to utilize up to \$12 billion to reduce the impacts of trade disputes on U.S. agricultural producers. The three programs are the Market Facilitation Program, the Food Purchase and Distribution Program, and the Agricultural Trade Promotion Program. The Market Facilitation Program will provide direct financial support to corn, cotton, dairy, hog, sorghum, soybean, and wheat producers. The Food Purchase and Distribution Program will purchase commodities targeted in the trade disputes. The Agricultural Trade Promotion Program will provide additional resources to access and develop new international markets for U.S. products.

In the initial phase of this relief package, an estimated \$6.31 billion of the \$12 billion will be spent, with \$4.69 billion for the Market Facilitation Program, \$1.41 billion for the Food Purchase and Distribution Program, and \$200 million for the Agricultural Trade Promotion Program. The remaining funds could be utilized for a second round of support later this winter, likely in December. Sign-up for the various programs will begin on September 4, 2018.

For the Market Facilitation Program (MFP), the crop payments will be based on current 2018 production, so farmers must apply after harvest. Hog payments will be based on the number of owned live hogs, as of August 1, 2018. Dairy payments will be based on the historical production record for the Margin Protection Program for Dairy, established with the operation's highest annual milk production during 2011-2013. Dairy farms must have been operating on June 1st to receive a payment. In all cases, applicants must have an ownership interest, be actively engaged in farming, have an average adjusted gross income (AGI) of less than \$900,000 for the 2014-2016 tax years, and have complied with regulations on highly erodible land and wetland conservation.

What can Iowa farmers expect from ARC/PLC and the Trade Assistance Package in 2018?, continued from page 2

The payment rates were determined by USDA, based on their estimates of trade disruptions for the individual commodities. For all commodities covered, the payments will be made on 50 percent of eligible production, with the potential for another round of payments for the remaining 50 percent later this winter. The table below shows the payment rates and the estimated total payments by commodity this round.

**Table 1. Market Facilitation Program Payment Details**

| Commodity | Payment Rate             | Estimated Total Payments |
|-----------|--------------------------|--------------------------|
| Corn      | \$0.01 per bushel        | \$96 million             |
| Cotton    | \$0.06 per pound         | \$276.9 million          |
| Dairy     | \$0.12 per hundredweight | \$127.4 million          |
| Pork      | \$8.00 per head          | \$290.3 million          |
| Sorghum   | \$0.86 per bushel        | \$156.8 million          |
| Soybeans  | \$1.65 per bushel        | \$3.63 billion           |
| Wheat     | \$0.14 per bushel        | \$119.2 million          |

Given USDA’s recent production estimates, Iowa producers stand to gain over \$550 million from MFP, with the lion’s share going to pork and soybean producers. The MFP payments do have a \$125,000 cap per person or legal entity, but the cap works differently between crops and livestock. The cap for the crops is a combined one, summing producers’ MFP payments from all five of the crops. The cap for the livestock products is separate from the crops, so diversified producers with both crop and livestock production can receive more than \$125,000 from the program. A second MFP payment is not guaranteed this winter. If the USDA determines that the trade disputes are still damaging U.S. commodity markets this winter, they will compute another MFP payment rate, based on the damage estimates at that time, and apply that payment rate to the remaining 50 percent of production not covered by the initial payments.

The Food Purchase and Distribution Program will purchase a variety of products, from beef and pork to peanut butter and orange juice, that face trade disruptions. While USDA has outlined targeted values for individual commodities, the purchases will be adjusted to match estimates of economic damage from tariffs and will be spread out to match the purchases with needs in nutrition assistance programs. The purchased commodities will be used in the school lunch program, along with other food assistance and child nutrition programs. Targeted purchases include \$93 million of apples, \$15 million of beef, \$85 million of dairy products, \$559 million of pork, and \$2.4 million of sweet corn.

The \$200 million addition to the Agricultural Trade Promotion Program will be used for cost-share assistance on agricultural market development. Eligible U.S. organizations that create and promote agricultural trade relationships can tap into these funds for consumer advertising, demonstrations, exhibits, market research, public relations and outreach, and technical assistance. Applications for these funds will be open until November 2, 2018 or until funding is exhausted, whichever happens first.

For more details on these programs, along with information on how to apply, see USDA’s Trade Retaliation Mitigation website, [www.farmers.gov/manage/trm](http://www.farmers.gov/manage/trm).

View the AgDM Decision Tool for the *Market Facilitation Program* to estimate payments for 2018, [www.extension.iastate.edu/agdm/crops/xls/a1-37marketfacilitationprogramcalc.xlsx](http://www.extension.iastate.edu/agdm/crops/xls/a1-37marketfacilitationprogramcalc.xlsx).



## Overcoming the cash flow crunch

By Steve Johnson, extension farm management specialist, 515-957-5790, [sdjohns@iastate.edu](mailto:sdjohns@iastate.edu)

The cost-price squeeze for many farmers could mean tight crop profit margins and cash flow constraints. With a great deal of crop market price uncertainty, expect cash flow management to be a bigger challenge this fall and winter. Many farmers avoided cash flow concerns by pre-harvest marketing a portion of their 2018 crops while others may self-finance their farming operation. Expect some challenges ahead for farms with debt and holding large quantities of unpriced old crop and soon new crop bushels. These farms likely face a cash flow crunch and interest charges accrue.

The new Market Facilitation Program (MFP) authorized under the Commodity Credit Corporation (CCC) and administered by the USDA Farm Service Agency (FSA) will provide funds sometime this fall. Do not expect those payments to be large enough to provide a large benefit if cash flow problems exist.

Start to overcome fall cash flow challenges by identifying what and when bills and loan payments need to be made. One example is crop insurance premiums are due October 1 to avoid interest charges of up to 15 percent annual percentage rate. For other bills, perhaps a partial payment can be made without triggering additional penalties and interest charges. Does your farm operating loan have room to advance funds until crop sales are made?

If you know cash flow is already going to be a problem, communicate early with your creditors. Many primary ag lenders spent the past few winters restructuring existing farm loans to stretch out principal payments and free up depleted working capital. These same lenders might be reluctant to restructure loans any time soon without a commitment from the borrower to improve their cash flow management to meet existing debt obligations. Farms without access to

typical operating loans should use caution before advancing family living and farm related expenses on credit cards or higher interest-bearing debt.

Focus early on understanding other crop marketing strategies and tools rather than just storing bushels unpriced. With more farms facing cash flow constraints this fall, consider the delivery of bushels at harvest. Communicate with your grain merchandiser now regarding how various marketing tools could be used to shore up cash flow needs and avoid additional storage charges.

You can still benefit by being “long deferred futures” using a basis contract and/or “purchase call options” with a minimum price contract. Consider delivering bushels to a processor where better cash prices exist reflecting basis. This will be especially true as harvest wraps up and basis begins to improve.

For bushels you plan to store, the USDA FSA offers a low-interest, 9-month non-recourse marketing loan on harvested grain. On-farm stored bushels will need to be measured and commercially stored grain be placed under a warehouse receipt. This marketing loan amount is limited to your county loan rates, which in Iowa are typically below the national loan rates of \$1.95 per bushel for corn and \$5 per bushel for soybeans, respectively. Thus, the marketing loan program is not a marketing strategy for cash grain, just access to cheaper interest rates for up to nine months.

It could be well into the winter or spring months for corn and soybean futures prices to rebound along with significant basis improvement. Overcoming the fixed costs of commercial drying, shrink and storage costs might prove challenging. Adequate commercial storage space should be readily available at harvest, but basis improvement may be limited, especially for soybeans. Limitations of commercial storage

Overcoming the cash flow crunch, continued from page 4

costs and accruing interest on existing debt along with any short-term basis improvement could negate potential for a positive net return to grain ownership.

Consider the use of the ISU Ag Decision Maker web page on crop marketing and storage. This site contains information files, decision tools, voiced media and related training material, [www.extension.iastate.edu/agdm/cdmarkets.html](http://www.extension.iastate.edu/agdm/cdmarkets.html)

## National Farm Safety and Health Week, September 16–22, 2018

*The National Education Center for Agricultural Safety, 563-557-0354*

Each year since 1944, the third week of September has been recognized as National Farm Safety and Health Week. This recognition has been an annual promotion initiated by the National Safety Council (NSC) and over the years, the development and dissemination of National Farm Safety and Health Week materials has shifted to the National Education Center for Agricultural Safety (NECAS). NECAS is the agricultural partner for NSC and has been serving the agricultural family and business community since 1997.

The 2018 theme for National Farm Safety and Health Week is “Cultivating the Seeds of Safety”, with a special focus each day:

- Monday - Rural Roadway Safety
- Tuesday - Health/Suicide/Opioids
- Wednesday - Child/Youth Health and Safety
- Thursday - Confined Spaces in Agriculture
- Friday - Tractor Safety

Go to the NECAS website, [www.necasag.org](http://www.necasag.org) for more information and links to daily webinars. It is everyone’s responsibility for safety both on the farm and the rural roadways of America. Data from the U.S. Bureau of Labor Statistics shows the agricultural sector is still the most dangerous in America with 593 fatalities in 2016 (an increase from the previous year), which equals 23.2 deaths per 100,000 workers. When combining all labor sectors the death rate was 3.6 percent, the highest since 2008.

As we recognize National Farm Safety and Health Week this September, please join us in promoting safe and healthy practices on our farms and ranches across the U.S. and in our neighboring countries as producers enter the harvest season.

[www.necasag.org](http://www.necasag.org)

[www.facebook.com/necasag](http://www.facebook.com/necasag)

[twitter.com/necasag](https://twitter.com/necasag)



**National Farm Safety & Health Week**  
Sept 16-22, 2018

Updates, continued from page 1

**Internet Updates**

The following Information Files and Decision Tool have been updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

- Trade Assistance Package in 2018 – A1-37 (2 pages)
- Market Facilitation Program Calculator – A1-37 (Decision Tool)
- Silage Pricer - Corn Silage or Oat Silage – A1-65 (Decision Tool)
- Barriers to Entry and Exit – C5-200 (2 pages)
- Breakeven Sales Volume – C5-201 (3 pages)
- Breakeven Selling Price – C5-202 (2 pages)

**Current Profitability**

The following tools have been updated on [www.extension.iastate.edu/agdm/info/outlook.html](http://www.extension.iastate.edu/agdm/info/outlook.html).

- Corn Profitability – A1-85
- Soybean Profitability – A1-86
- Iowa Cash Corn and Soybean Prices – A2-11
- Season Average Price Calculator – A2-15
- Ethanol Profitability – D1-10
- Biodiesel Profitability – D1-15

Iowa State University Extension and Outreach does not discriminate on the basis of age, disability, ethnicity, gender identity, genetic information, marital status, national origin, pregnancy, race, religion, sex, sexual orientation, socioeconomic status, or status as a U.S. veteran. (Not all prohibited bases apply to all programs.) Inquiries regarding non-discrimination policies may be directed to the Diversity Officer, 2150 Beardshear Hall, 515 Morrill Road, Ames, Iowa 50011, 515-294-1482, [extdiversity@iastate.edu](mailto:extdiversity@iastate.edu). All other inquiries may be directed to 1-800-262-3804.

**Permission to copy**

Permission is given to reprint ISU Extension and Outreach materials contained in this publication via copy machine or other copy technology, so long as the source (Ag Decision Maker Iowa State University Extension and Outreach) is clearly identifiable and the appropriate author is properly credited.