Questions Remain on the New Farm Program as Deadlines Approach

Iowa State University Extension and Outreach along with the Iowa Farm Bureau Federation have conducted nearly 250 meetings on the new farm program across Iowa since November. In addition, we’ve created print and online articles, videos, webcasts, webinars, spreadsheets, etc. However, even with all that information available to farm operators and landowners, there are still some recurring questions that seem to arise. Following are some of the common questions related to sign-up for the new farm program.

What are the dates and timelines for Update, Election and Enrollment in the new farm program?

The sign-up process is three-steps for the new farm program at local FSA offices includes:

- **Step #1 - Update by Feb. 27, 2015** - Landowners make final decisions on updating by FSA farm number the crop base acres and/or payment yields.

- **Step #2 – Election by March 31, 2015** - Producers complete the farm program election for a five-year period (2014-2018) on each farm, and potentially on each eligible crop. Farm program choices include the Price Loss Coverage (PLC), Agricultural Risk Coverage-County (ARC-CO), or Agricultural Risk Coverage-Individual Coverage (ARC-IC) programs.

- **Step #3 – Enrollment from Mid-April to summer 2015** - Producers enroll in the 2014 and 2015 farm program simultaneously. Even though the farm program election is for five years (2014-2018), producers will still be required to enroll annual into the farm program elected at their local FSA office.

Who makes the final enrollment choice for the new farm program?

All decisions on updating crop base acres and payment yields by FSA farm number require at least one landowner’s signature. If a producer is both the owner/operator, they could make the decision on that farm. It is advisable to communicate with all landowners on that farm regarding the base acre and payment yield decisions, since these numbers will be in place for five years (2014-2018) crop years.

The current producer on the farm will make the final five-year farm program election between PLC, ARC-CO, and ARC-IC. Landowners with crop-share rental agreement are considered producers by FSA, and must agree with the farm program election. Landlords with cash rental agreements will not be required to sign regarding the farm program election or enrollment. In cases where there is a change in a producer from 2014 to 2015 crops, the current producer listed at the FSA office on the farm at the time of farm program election would make the program choice.
What if no choice is made for the crop base acres and/or the yield updates, or the farm program election of PLC, ARC-CO or ARC-IC?

If no choice is made for updating base acres and/or payment yields or base acre reallocation, the existing crop base acres and counter-cyclical (CC) payment yields by FSA farm number, as of 2013, will remain in place for the 2014-2018 crop years. If no farm program election is made by the deadline, the farm defaults to the PLC program for 2015-2018. There will be no farm program payments for the 2014 crop year. Depending on the crop base acres, farm location, and farm program election, this could be a very costly mistake.

Why is it important to update FSA payment yields if I am enrolling in ARC-CO?

FSA payment yields for all eligible commodity crops will be used for payment calculations for the new PLC program, but not for the ARC-CO or ARC-IC programs. Even if plans are to choose the ARC-CO or ARC-IC programs, it may still be a wise choice to update the FSA program yields for eligible crops on by FSA farm number. There could be an advantage, as these updated yields may be carried forward for future farm programs beyond the 2018 crop. The opportunity to update FSA payment yields has not been made available since 2002. Even then, if the program yields were not updated in 2002 (counter-cyclical program), the current payment yields are the “direct payment yields,” which date back to the early 1980s, and may be even lower than the current county “substitute yields” for some crops.

When and why are “substitute yields” used?

A county “substitute yield,” equal to 75 percent of the county average yields (2008-2012) will be used in any year (2008-2012) that the actual farm yield for a given crop falls below the “substitute yield” level, as well as in any year in which a crop was raised, but there is no farm yield data available. The county “substitute yields” are available from the USDA FSA farm program web site, and automatically are entered in to the official FSA payment yield update spreadsheet.

What documentation is required to update FSA payment yields?

The FSA form titled “Price Loss Coverage (PLC) Yield Worksheet” (CCC-859) is used as a worksheet for potentially updating FSA payment yields. On this form CCC-859, the crop yield for each year (2008-2012) that a particular eligible crop was produced is listed. Only the years that the crop was actually produced on a particular FSA farm number are considered for the yield update. For example, if corn was only produced in three of the five years, then those three years are used in calculations. If crop insurance (RMA) data is from more than one FSA farm unit, the data will need to be averaged accordingly for the CCC-859 form. FSA offices will not be verifying the yield data on this CCC-859; however, the yields reported on that form will be subject to FSA “spot checks” at a later date. Acceptable records for yield verification during “spot checks” will include RMA data that is used for crop insurance APH calculations, production evidence for grain sold or placed in commercial storage, on-farm grain storage records, livestock feeding records, or FSA loan records.

Why is base acre reallocation important?

All farm program payments for the new PLC, ARC-CO and ARC-IC programs will be calculated on crop base acres, rather than on year-to-year planted crop

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acres. The last time that crop base acres could be updated was in 2002, and it is possible that the updated crop base acres could continue beyond this new farm program. The choice is to either keep the existing crop base acres (as of 2013), or to update crop base acres to the ratio of average planted crop acres on a FSA farm number from 2009-2012. Total reallocated crop base acres for the crop years 2014-2018 cannot exceed the total crop base acres that existed in 2013 farm program. Landowners and producers should have received a listing of existing crop base acres, and the reported planted acres for 2009-2012 from the FSA in early August. Prevented planted acres that were properly reported will count as planted acres for base acre updates.

**Do I always want to reallocate my crop base acres?**
Not necessarily. In some cases, the existing crop base acres may be more desirable than the reallocated base acres, such as in cases where the existing crop base has more corn base acres than the reallocated crop base. Or possibly, there may be some higher value commodity crops that have a higher likelihood of farm program payments in the next five years (2014-2018), which may be eliminated through base acre reallocation. Remember, farm program payments for PLC and ARC-CO are determined by base acres, not planted acres, and you do not have to raise a crop (2014-2018) in a given year in order to be eligible for potential farm program payments.

**Is it advisable to maximize my corn base acres in all situations?**
Many Midwest farm operators planted larger corn acres from 2009-2012, so there may be an opportunity to increase corn base acres on some FSA farm numbers, if that is desired. In most areas of the Corn Belt, corn base acres tend to offer higher maximum payment potential, and greater payment likelihood in 2014 and 2015, than would soybeans, wheat, or other likely crop base acre crops. However, the program payment levels and likelihood of payments may be different in other areas of the country, which have lower corn yield levels, or may have other alternative program crops to consider.

**How are MYA prices calculated?**
The “Market Year Average” (MYA) price for a given crop year is used to calculate any potential payments for the PLC, ARC-CO, and ARC-IC programs. The historical MYA prices are also used to determine the “benchmark revenues” for both the ARC-CO and ARC-IC program options. The MYA price is the 12-month national average price for a commodity, based on the average market price received at the first point of sale by farm operators across the United States. The USDA National Agricultural Statistics Service (NASS) collects grain sales data on a monthly basis, which is then “weighted” at the end of the marketing year, based on the volume of bushels sold in each month. The 12-month marketing year for corn and soybeans begins on Sept. 1 in the year that a crop is harvested, and continues until Aug. 31 the following year. For wheat, oats, barley, and small grain crops, the 12-month marketing year begins on June 1 in the year of harvest, and continues until May 31 the following year.

**Where can I find updated MYA price information?**
USDA publishes monthly and season-average estimated market prices for various commodities, which are available on the FSA farm program website. These average price estimates are also updated each month in the USDA Supply and Demand Report,
which is usually released around the middle of each month. Some universities also update projected MYA prices on a monthly basis for selected crops. Kansas State University offers one of the best monthly updates of MYA prices for corn, soybeans, and wheat.

Why do some experts recommend ARC-CO and others recommend PLC?
There are several reasons for the difference in recommendations between ARC-CO and PLC for corn and soybeans. The biggest reason is probably future MYA price expectations, along with declining payment potential in future years with ARC-CO in scenarios with lower price expectations. If the average MYA price for corn from 2014-2018 is consistently below about $3.30 per bushel, total PLC payments for 2014-2018 for many Midwest corn producers could likely exceed total ARC-CO payments. The situation is similar with soybeans, if the MYA price from 2015-2018 is below about $7.80 per bushel. However, one must remember that there are no PLC payments for corn, if the MYA price is $3.70 per bushel or higher, or for soybeans, if the MYA price is $8.40 per bushel or higher.

In most counties in the northern two-thirds of Iowa, and adjoining areas of other states, the 2014 ARC-CO payment for corn will be near the maximum payment level for the county ($60-$80 per corn base acre). A lot depends on whether the 2014 average county yield was at or below the benchmark county yield used in calculating ARC-CO payments. There are likely limited 2014 ARC-CO payment potential for soybeans in most Iowa counties. The ARC-CO payment potential for corn and soybeans in 2014 may not be as favorable in some areas of the Corn Belt that experienced extremely high 2014 county average corn and soybean yields. Payment potential with ARC-CO for both corn and soybeans for the 2015 crop year is also very good, due to the fact that the 2014 benchmark MYA prices of $5.29 per bushel for corn and $12.27 per bushel for soybeans will likely be in place again in 2015.

What are situations where ARC-IC might work?
Producers that select the ARC-IC program option must include all eligible farm program crops on the FSA farm number (2014-2018), with no option for either the PLC or ARC-CO programs on specific crops. The ARC-IC program operates very similar to the ARC-CO program, but is based on farm-level crop yields, rather than county average yields. The biggest differences are that potential payments in the ARC-IC program are made on only 65 percent of crop base acres, as compared to 85 percent of base acres with the ARC-CO program. Also, benchmark revenues require that all commodity crops on the farm be combined. Due to this difference, and the calculation methods between ARC-IC and ARC-CO, average farm-level yields probably need to be 25-30 percent higher than comparable ARC-CO yields to consider ARC-IC enrollment. In addition, large corn base acres are preferred with plans to plant corn annually (2014-2018) would likely be preferred.

What are the payment limits for the new farm program?
The payment limit for the new farm programs is $125,000 per eligible individual for all proceeds from the PLC, ARC-CO, and ARC-IC programs, as well as from LDPs or gains on CCC loans. If there is more than one eligible payment entity for farm program payments, then the payment limit would increase accordingly. For example, if a husband and wife are both eligible, they would have a total payment limit
of $250,000. Excluding LDP’s and CCC loan gains, it would require approximately 2,500 crop base acres to reach the $125,000 payment limit at an average farm program payment level of $50 per base acre, and about 1,667 base acres to reach the limit at an average payment level of $75 per base acre.

**What are some strategies to address payment limit concerns?**
Some corn and soybean producers with payment limit concerns are varying their farm program elections. They are putting some farms in ARC-CO to optimize payment potential for 2014 and 2015, when ARC-CO payments are likely to be higher, and putting some farms in PLC, to have more price protection in later years (2016-2018). This allows them to capture some of the benefits of both the ARC-CO program and PLC program, without sacrificing significant payment potential. Also, with PLC, farm operators can opt for the Supplemental Coverage Option (SCO) crop insurance alternative, which is not subject to farm program payment limits. Enrollment in the SCO insurance option can be purchased annually through your crop insurance agent.

**What are the best resources for farm program information?**
The USDA Farm Service Agency (FSA) has created a website with up-to-date information and resources on base acre reallocation, updating payment yields, “substitute yields”, ARC-CO yields, updated MYA prices, etc.

Several land-grant universities have developed spreadsheets and decision tools, in cooperation with FSA, to assist producers and landowners with their farm program decisions.

Visit the [Iowa State University Ag Decision Maker site](#) to learn more. Or, visit the [Polk County ISU Extension and Outreach page](#) for videos, webinars and handouts.

*Adapted from a February 2015 newsletter written by: Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank*