Farm Bill Decisions

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SPEAKERS

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C Christa Hartsook 00:15

Hello, and welcome to the Small Farms Podcast, a production of the Small Farms Program at Iowa State University Extension and Outreach. Our podcast covers the opportunities and challenges associated with rural life. In this episode I interview Ann Johanns, Program Specialist in Farm Management for Iowa State University Extension and Outreach, to talk about timely decisions producers need to make under the Farm Bill. I'm Christa Hartsook, Small Farms Program Coordinator, and we hope you enjoy the show. Ann, welcome, thanks for being back.

A Ann Johanns 00:47

Thank you, Krista.

C Christa Hartsook 00:49

So Ann, there's not a new Farm Bill, why do we still need to be talking about the 2018 Farm Bill?

A Ann Johanns 00:55

So with the 2018 Farm Bill, one shift that is a lot different than when the 2014 Farm Bill came out is that this program with the safety nets that are offered through the USDA Farm Service Agency, it is now a annual decision. And so before it was a big decision, right when the 2014, because you're making a bigger commitment there, and it was locked in for the life of that Farm Bill. Well, now, here we come into 2021. And it's an annual decision. And so producers get to make a choice, whether they want to keep what they'd signed up for for 2019 and 2020. Or they can look at just for this crop year, if they want to make a choice and change what those programs were. And with the 2018 Farm Bill, the programs are for the most part similar. It's the Agricultural Risk Coverage Program, they're either at the county or individual level. And we refer to that as ARC county and ARC individual. And then there's the Price Loss Coverage Program, which we refer to as PLC. We talk a lot about kind of the acronym alphabet soup with these programs. And sometimes it's kind of interesting that we know the acronym better than the actual name in a lot of cases. And so with these, it's we talked a lot about ARC county and PLC.

C Christa Hartsook 02:12

Okay, so what steps do we need to take? And then by when? I know we're coming up on a deadline.

A Ann Johanns 02:19

Yes. So step one, right? Where to start is to gather information. And so take those little steps kind of pulling things together, and producers need to not only learn or kind of re-introduce themselves, I guess, to these programs, if they've kind of forgotten, but also gather information on their farm. And so do they know off the top of their head? What are their base acres with FSA office? What are there PLC yields? And so even if they're considering ARC County, you know, they're kind of looking more at that, it's still good to kind of know that information so that they can make the best decision. And so with that information, then they can start to look at what tools are available. And so whatever meishan is out there, we know that these programs for 2021, they're a safety net, you know, we aren't going to see large payments we did a few years ago, but it's just that's not going to be the case. But we still want people to be making the right decision for them and not be complacent, really in what they're doing. Iowa State University Extension and Outreach, we have a tool that is Iowa focused. But if you have listeners from other states know that the University of Illinois, Texas A&M, North Dakota, there are other tools that do look either at other states or they're nationwide. And so those resources are out there. So the deadline people really need to keep in mind is March 15th, and so this deadline was set to match with crop insurance. That's also you know, we kind of have that March 15th is always a big deadline for the crop year. And so they need to be in touch with their FSA office ahead of that, really, as soon as possible. Just to get that process started. Some of those offices aren't open to the public, or, you know, they're doing things through the lobby or outside, you know, they're just, they're maybe not doing things. It's not business as usual anywhere. And so they want to get that process started so that they're not waiting to the last minute.

C Christa Hartsook 04:02

Really good point Ann. Can we talk a little bit about ARC and PLC? You know, more specifically, so that you can kind of explain to our listeners, what those programs entail.

A Ann Johanns 04:13

Yeah. ARC county is revenue based. And so we're talking about a benchmark revenue. It's based on five years of an Olympic average yield and price, and we're talking about Olympic average. That is, it's how they do scores in the Olympics, you have five years of data, you throw out the high and you throw out the low, and you actually just average the middle three, either yield or price in both cases. So I pulled up just a random county in Iowa I wanted to look at to give some actual numbers and so I looked at Hamilton County, and the five year Olympic average price for corn is $3.70. The five year average yield, this is a trend adjusted yield so it actually kind of inflates the benchmark, and sometimes when we talk about inflation, we think that that is maybe not always a good thing. In the case of this program, it actually is beneficial for producers, because raising that benchmark means they're more likely to trigger, should there be kind of a difficult year. So the five year average yield for Hamilton County was 211. And that's bushels per acre. And so you take those times each other, we're going to make the benchmark revenue, and that $783 an acre. So that is kind of the max of what the five years that we're looking at has provided, ARC county is going to take 86% of that. And so when we think about, we're going to create a net revenue guarantee. So it's basically guaranteeing that producers in that county are going to get 86% of the benchmark, which is going to be $674. And so it sets a floor. And so that's how I think about that. And then payments for the program are capped. And so you can't you know, there's not maximum to the ceiling payments, there is a cap on that. And so that's going to be 10% of what that benchmark was. In this case, so no matter what would ever happen in a county in Hamilton County payments would never be more than $70 an acre on corn. And again, when we think about FSA programs, there's a max payment for a farm operation. And so you can max out that as well. But when we're talking about this particular program, and the payment per acre $78, so then that's what our benchmark is. And that's what our net revenue guarantee is, we don't know yet what actual prices and yields are going to be for 2021. And so that's where we kind of have to make some assumptions. We won't know a marking your average until October of 2022. And that's when payments would be made. So we're going to make some assumptions. And right now, current outlook has corn prices around $4.20 for that marketing year. And at that price, our tool has a trigger. And so it tells us that the county yield would need to be below 158 bushels an acre to even trigger an ARC county payment. In the five years that we have actually 30 years of yield data built into this tool in the last five years. That didn't happen. Not saying it couldn't, but it's just that if that was unlikely. Okay. So I spent a lot of time talking about ARC County. PLC is a little bit simpler, because it is price triggered, it's just a price. And the only thing that's factoring into that is the marketing year average pricing for corn, that price triggers $3.70. Yes, that's the same as what the Olympic average price has been for the last five years. But again, when we're looking at what the actual projected prices for 2021 are, we're looking at more around $4.20. for soybeans, it's $8.40. We have not triggered a PLC payment for several years. And since that program began, we just don't see slightly but it sits at that floor right? So then if those prices were triggered, the payments are based on the farms PLC yield. And so that's a little more unique. ARC County, everything is at the county level, whereas PLC, that price is the national average price, but then it's paid on the farms PLC yield. And that's something that they have on record with FSA. FSA knows already what those PLC yields are for farmers. But again, then it's that price payment that it would be based on.

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Christa Hartsook 08:17

Sure that makes sense, Ann. So you know, we're out there, we're evaluating ARC county, PLC, what factors really do we need to take into account for that decision?

A

Ann Johanns 08:29

Yes, so those are the two biggest like 98% I think of Iowa farms, if I have that right, are enrolled in either ARC County or PLC. There's this other 2% that look at ARC Individual. And so when we talk about specialty producers, and I'll talk about this a little bit more probably, but if they want to look at a program that's specific to their farm rather than the county, then they might want to be considering ARC individual. In that case, one of the things that is kind of a deterrent, sometimes with ARC individual it is some more paperwork, you have to have better records, you have to work with your FSA office more on what your farms crops are, what your farms yields are. And ARC individual has a 65% payment on base acres, whereas ARC county and PLC pay on 85% of your base acres. And so you're kind of taking a couple different hits there. And that's kind of one of the things where people kind of hesitate to look at ARC individual. Last year and in 2019 and 2020, producers were signing up, producers knew already going into that sign up if they had a higher possibility of making that ARC individual because we signed up really late. And so some producers already knew they had a year with extreme issues, right? And so they knew that

ARC individual was going to be a good option for them. Whereas now we're making this ahead of the crop year and so you have to think about how does your farm really vary from the county. And if ARC individual might be something you would want to look at.

C Christa Hartsook 10:09

That makes sense. Let's talk a little bit about kind of that specialty crop producer. And if we've got some listeners out there who maybe would fall into that category, let's talk a little bit about, you know, their options.

A Ann Johanns 10:22

So specialty crop producers, this is something that they might not, if they're kind of newer to production agriculture, especially know that these programs are commodity based programs, basically. Your farm has base acres in place with FSA, there's a history behind that, we did have a chance to kind of update our base acre several years ago, but those are locked in for a farm. You might have multiple farm numbers for your operation with FSA, they each have their own base, you may have farms in different counties. And so those are separate farm numbers that you get to make decisions for and for the different base acres on that farm. But these programs are not necessarily based on what you're growing, they are based on those base acres. And so if you're a specialty producer, you're still going to make decisions on the base acres. And so if you're raising an organic crop, you're still going to be making decisions on those commodity, you know, regular conventional commodities. And so you're still going to look at ARC county and PLC for the conventional crops basically. And so that's just something unique is that even though they might be growing something differently, and that's awesome, right, that you can grow whatever you want. It's just these programs are written specifically on the base acres. And so you're going to make decisions on that, as a producer, though, you're still going to grow the crop that you want to grow. And so that's where those specialty producers need to be informed about, you know, the programs on those commodity conventional programs, and then know their crop. And they need to make decisions on their crop insurance that are going to provide a more farm specific safety net really, is where that comes into play to is that crop insurance is really a factor to provide that individual coverage.

C Christa Hartsook 12:06

That makes sense. Ann, as we're really thinking about all of this information and knowing we've got this deadline, what kind of resources are out there to help aid producers in these decisions?

A Ann Johanns 12:17

Yes. So one thing is that if they wanted to look at how these programs tie in with their crop insurance, we are seeing most people not saying this is the right decision for everybody. Because every farmer needs to make the right decision for them, don't take what I say, what I'm doing, because my decisions based on my farm operation, right? So if they were looking at ARC county and PLC, one thing is that PLC has the option for a crop insurance enhancement called supplemental coverage. And so that program, SCO, honestly, more people know it by its acronym than what its actual name is, you can only get that if you are not in ARC county or ARC individual. And so that's the one thing is that as they're making their crop insurance decisions, they need to talk with that agent and see is that a possibility? In which case I might be looking more heavily at that PLC program so that I can open up my options on SCO. And SCO, then you're kind of it's all about how you want to manage your risk. So do you want to have another farm level risk management program with your crop insurance and a county level? That's a possibility in this case. And so there's just all these different options. And that's awesome. But you do have to take some time, really devote some time to look at these. And then when you do spend that time, we have tons of resources, right, Christa? Iowa State University Extension has tons of resources on everything. And so know that we have this podcast, you know, that kind of provides them a little insight on these programs. We have been doing lots of webinars here the last few weeks, and so those are all recorded. And we have Ag Decision Maker. There's a farm bill page specifically devoted to providing the recordings of those webinars, and then also all the tools that we have more information on some examples on SCO, and how that could work. And there is also a new crop insurance program called ECO, which is an enhanced coverage offered option. And that's open for anybody, it doesn't matter which track you would go in. But that is new for 2021 is that's another thing producers might want to inform themselves about. And then those links for other states that I kind of mentioned, right that we are not in a bubble. We have other states with some resources through extension. And so they also have some tools and where our tool, it fits really well with some of the decisions that the majority of our producers make. But we definitely link to some other tools that can help in making those decisions. So all that is on the Ag Decision Maker website. And right from the homepage there there is a link to the Farm Bill so they can get to all that with just a couple clicks.

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Christa Hartsook 14:48

Perfect. Perfect that makes it nice and easy for them. I'm thinking bottom line here is to you know, reach out early and reach out often and have that relationship built with your county FSA office.

A

Ann Johanns 15:01

Yes, talking with them. Because then you know, you go through these steps this year, producers are going to be back in this boat next year. And so this is a small kind of a small decision, right? We're making it once. We're likely not to see major payments, but you want to make sure you still make a decision. Don't just be complacent because you do still need to sign forms with FSA no matter what probably. And then if you don't like that decision, you get to revisit it next year, or if things you know, the outlook changes on different things, if your farm changes in some way that you get to revisit all of this again in 2022. And so just know yes, start that early, so that you're that much more prepared as you go into the growing season.

C

Christa Hartsook 15:41

That makes sense Ann. Anything that we missed anything else we need to talk about?

A

Ann Johanns 15:45

I think that just knowing that there are specialists, we all kind of have knowledge on the tools that are available. And so if producers aren't comfortable with some of the we are tools are excels based, but there are other tools that are web based that we could point them towards, or we are more than happy to walk through these Excel tools. I've sent, you know, a print out via email to somebody who wanted to see it with a couple different options that they just weren't comfortable using the Excel file on that is absolutely fine. I am more than happy to walk through it with them. And so just know that we have people to help them and making those decisions so that they know they're making the right decision for them.

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Christa Hartsook 16:21

That sounds perfect. And thanks so much for being on today. We appreciate it.

A

Ann Johanns 16:25

Thank you Christa.

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Speaker 3 16:26

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