

FARM PROGRAM

DECISION GUIDE



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Understanding the choices and decisions of the Agricultural Act of 2014 can be simplified if you follow the seven steps in the Farm Bill Toolbox at <http://farmbilltoolbox.farmdoc.illinois.edu/>

At each step you will find the following:

- An overview and basic information for each decision
- Videos explaining each decision and how to use the web tools
- Detailed webinars and articles for each decision
- Links to on-line tools and calculators, as well as answers to frequently asked questions

Which decisions do I need to make?

| | Payment Yield | Base Acres | Select a Farm Program |
|---|---------------|------------|-----------------------|
| Actively farming the land that you own | ● | ● | ● |
| Own land someone else is actively farming | ● | ● | |
| Actively farming land someone else owns | | | ● |



It is recommended that the owner and the operator, if they are different individuals, confer with each other about their decisions, since those decisions affect both parties. An operator, with an FSA Power of Attorney for the owner, has authority to update the yield and reallocate base acres, if the Power of Attorney specifies that it applies to all "future program decisions".

What are my options for each decision?



Payment Yield (step 1)

Update **or**

Retain current yields on file with the Farm Service Agency (FSA)



Base Acres (step 2)

Reallocate **or**

retain current base acre distributions on file with the Farm Service Agency (FSA)



Elect a farm program from 3 choices (steps 4-6)

Note: Choice stays with the land regardless of the owner or operator. And choice remains for the life of the 2014 Farm Bill, which will expire in 2018, unless a future Congress extends it.

Important Deadlines



February 27, 2015

Payment yield decision (step 1)
and base acre decision (step 2)



March 31, 2015

Selecting a farm program choice (Steps 4-6)

If the program election deadline is missed, the FSA farm will forfeit any potential payments for the 2014 crop year and that farm will be deemed to have elected Price Loss Coverage beginning with the 2015 crop year.

Information needed to make decisions

An official document was mailed to you by FSA, dated July 28, 2014. It contains information about payment yield, planted acres and base acres. If you need a replacement copy, contact your local FSA office.

Additional information is available at the Farm Bill Toolbox at:

<http://farmbilltoolbox.farmdoc.illinois.edu/>

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Disclaimer: The information and resources provided are for educational and informational purposes only. Users bear sole responsibility for decisions affecting program participation and may want to consult other resources.

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PAYMENT YIELD

Landowners have a one-time opportunity to update the payment (or CC) yields for each program crop on record for each FSA farm.

INFORMATION NEEDED

Your letter from the Farm Service Agency (FSA) dated July 28, 2014 indicates your current payment (CC) yield for each crop produced with base acres on the farm.

YOUR DECISION: TAKE THE HIGHEST

Keep current payment yields as listed on FSA letter

OR

90% of the average yields from 2008-2012 crop years

Information to consider



Payment yields are used to calculate the payments for the Price Loss Coverage (PLC) program only. However, this decision is independent of the program election and you can update payment yields even if you do not elect PLC. Because payment yields may be used for future farm bills, the opportunity to update may be an advantage that will not recur for some time.



The average yield calculation excludes any crop year in which zero acres were planted to the program crop on that FSA farm.



If the yield for a given year is less than 75% of the county average yields for 2008 to 2012, then it will be replaced with 75% of that county average yield, including any year in which you do not have yield data.



The updated yield is self-certified, however, FSA will be spot-checking records to ensure they are complete and accurate. If your yield history is checked, the FSA will request data from a third party that can be used to verify accuracy.



Acceptable evidence of the updated yield can be crop insurance records, commercial grain sale receipts, settlement sheets, warehouse ledger sheets, elevator receipts or load summaries (supported by other evidence showing disposition), and documents approved by the FSA county committee.



This decision is for the owner of the land, however, operators with a Power of Attorney "for all future program decisions" may make the decision for the landowner.

ONLINE RESOURCES

farmdoc has put together a 7-step guide to help with the decisions required by the 2014 Farm Bill. It can be found at <http://farmbilltoolbox.farmdoc.illinois.edu> or search "farm bill toolbox".

DEADLINE

The decision to update program yields must be presented to the FSA office before the February 27, 2015 deadline.

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BASE ACRES

Landowners have a one-time opportunity to retain or reallocate the base acres on record for each FSA farm.

INFORMATION NEEDED

Current base acres for the FSA farm are listed on the July 28, 2014 letter, as well as FSA's records for all acres planted or considered planted to program crops on the farm.

YOUR DECISION

Keep current base acre distribution as listed on the FSA letter

OR

Reallocate base acres to the ratio of planted acres for program crops in 2009-2012 crop years

Information to consider



Base acres are used for program payments regardless which of the three farm program choices are eventually selected. Payments will be made on: **85%** of the base acres when choosing either Agriculture Risk Coverage–County or Price Loss Coverage or **65%** of base acres if the Agriculture Risk Coverage–Individual is chosen.



Total base acres for the FSA farm will not increase or decrease with this decision, only be reallocated. Base acre allocations will impact farm program payments and landowners are advised to consider potential program payments for this decision. Base acres may be used for future farm programs but the opportunity to reallocate may not recur.



Actual planted acres from 2009 to 2012 will be used to calculate the reallocation, with the average planted to each crop compared to the average planted to all program crops and converted to a ratio. FSA's record of what was planted on the farm, as listed in the July 28th letter, will determine the acres used for this calculation.



This decision is for the owner of the land, however, operators with a Power of Attorney "for all future program decisions" may make the decision for the landowner. If no decision is made the current base acre allocation will continue for the farm.

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DEADLINE

The decision to reallocate base acres must be presented to the FSA office before the February 27, 2015 deadline.

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FARM PROGRAMS

Farm operators have a one-time, irrevocable opportunity to elect one of three farm programs that will determine program payments through 2018, including any possible farm bill extensions.

| | PLC PRICE LOSS COVERAGE | ARC-CO AGRICULTURE RISK COVERAGE - COUNTY | ARC-IC AGRICULTURE RISK COVERAGE - INDIVIDUAL |
|------------------------|---|---|--|
| WHEN | The U.S. national marketing year average (MYA) price is less than the reference price. | County revenue, which is based on the county average yield and the national marketing year average (MYA) price, falls below an historical benchmark revenue. | The whole farm's revenue (all program crops on the FSA farm), based on the national average MYA price and each crop's actual yields weighted by planted acres in the crop year, falls below an historical benchmark revenue. |
| HOW IT WORKS | The PLC program makes payments on the difference between the reference price and the MYA, multiplied by the payment yield and paid on 85% of the program crop's base acres. | ARC-CO coverage starts at 86% of the benchmark county revenue and covers down to 76% (or a 10% maximum), with payments determined by the difference between the actual county revenue and the 86% guarantee and made on 85% of the program crop's base acres. | ARC-IC coverage starts at 86% of the whole farm benchmark revenue and continues down to 76% (or a 10% maximum), with payments determined by the difference between the actual farm revenue and the 86% guarantee and made on 65% of all base acres on the farm. |
| ADDITIONAL INFORMATION | Reference prices do not change over the life of the farm program. PLC is automatically elected, beginning with 2015 crop year, for an FSA farm not enrolled in any program by the deadline, or if the operators cannot unanimously decide. | The benchmark revenue is the Olympic average (exclude the highest and lowest years) of the national average MYA prices multiplied by the Olympic average of the county average yields for the most recent 5 crop years. It will change over time. | The whole farm benchmark revenue is the Olympic average (drop the highest and lowest years) of the revenues of all program crops on the farm in the most recent 5 crop years, each weighted by the planted acres in the current year before being added together to get the benchmark. It will change over time. |

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DEADLINE

The selection must be made by **March 31, 2015**, and will likely be driven by the opportunity to maximize any earned payment.

FARM PROGRAM DECISION in 7 STEPS at the farm bill toolbox

<http://farmbilltoolbox.farmdoc.illinois.edu/>

- 1 COLLECT INFORMATION**
- 2 KEEP or UPDATE YIELDS**
- 3 RETAIN or REALLOCATE BASE ACRES**
- 4 COMPARE ARC-CO and PLC**
- 5 CONSIDER ARC-IC**
- 6 CONSIDER SCO**
- 7 SIGN UP**



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additional resource: <http://fsa.usapas.com/>

