2018 Farm Bill Decision Aid Training

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Presentation Outline

1. Review of Agriculture Risk Coverage – County (ARC-CO) and Price Loss Coverage (PLC) programs and key changes in 2018 Farm Bill (FB)
   - Brief note on Agriculture Risk Coverage – Individual (ARC-IC)

2. Discuss the 2018 FB Decision Aid created by The Agricultural and Food Policy Center at Texas A&M University

3. Implement an example use of the 2018 FB Decision Aid
Basics of ARC-CO and PLC

- Programs established in the 2014 Farm Bill
  - 2014 election applied for full 2014-2018 period
- ARC-CO
  - Payment when actual county crop revenue is less than the ARC-CO guarantee
- PLC
  - Payment when effective price less than reference price
    - Effective price is the higher of moving year average (MYA) or loan rate (LR)
- For both: payment on historical base acres, not current production
Brief note on ARC-IC

- ARC-IC payments initiated: actual revenue for all covered commodities on ARC-IC farm < guarantee
  - Payment amount: 65% of total base acres * (Guaranteed revenue – actual revenue)

- Recommendations from other experts
  - Consider ARC-IC for 2019 and 2020 if:
    - University of Illinois: all acres in prevent plant or low yields
    - Purdue: 20% production losses

- Note:
  - Only 2% of farms and 3% of base acres in ID elected ARC-IC for 2014 FB
  - University of Illinois “2018 Farm Bill What-If Tool” has ARC-IC calculation capabilities (more complex)
ARC-CO and PLC 2014 FB Payments in ID

ID ARC/PLC payments 2014-18

Source: USDA-FSA
Key changes to ARC and PLC in 2018 FB

- Program election for ARC-CO, PLC, and ARC-IC in 2019 for 2019 and 2020; then, re-select for **annually** for 2021-2023
- Opportunity to update PLC program payment yields
  - Select update in 2019; do not take effect until 2020
    - Note: **owner** must update yields; operator can initiate;
- ARC-CO yields based on RMA rather than NASS data
  - Makes irrigated and non-irrigated demarcation more available
- ARC-CO yields are trend adjusted
- Effective reference prices calculated using 5-year Olympic average (OA) with one-year lag
  - For 2019, OA of prices from crop years 2013-2017 used

Photo: Patrick Hatzenbuehler
2018 Farm Bill Decision Aid

- Created by the Agricultural and Food Policy Center (AFPC) at Texas A&M University
  - Supported by U.S. House and Senate Agriculture Committees
  - Unlike other tools (e.g., University of Illinois), it includes crops beyond corn, soybeans, and wheat
  - Includes updated data from RMA and other sources and all relevant yield and price formulas encompassed into estimates

- Required documents:
  - FSA-156 EZ (most recent)
  - Acreage Production History (APH) report (most recent)

- 2 main portions to implement:
  - 1) check if PLC yields are to be updated
  - 2) calculate expected payments
Step 1: Create login with password

- Use of real email address allows for receipt of updates (e.g., updated input data)
- Can create as many profiles as you want
Step 2: Enter farm unit information

- A “farm unit” is any FSN and crop combination
Payment Yield Update Tool

- Used in PLC payments for 2020-2023
- Update if potential payment yield > 2014 payment yield
  - The higher value automatically populates in the next step to calculate expected payments
Step 3: Enter yield update information

- Potential payment yield of 28.35 bu/ac is less than 2014 FB payment yield of 30 bu/ac
  - So, no update
  - And 30 bu/ac automatically fills in as PLC payment yield in Expected Payments Tool
Expected Payments Tool

Information inputs:

1. Base acres
2. PLC payment yields (automatic if yield update done)
3. Historical irrigated percentage (if applicable)
4. Price expectations (can use prompts for USDA and FAPRI projections)

Outputs:

1. Estimated payments for PLC & ARC for 2019, 2020 and total
   ▪ Also includes distributions of payments
Step 4: Enter expected payments information

- **Base Acres**
  - 100 ac

- **PLC Payment Yield**
  - Historical Irrigated Percentage
  - 2019:
    - 30 bu/ac
    - 0%
  - 2020:
    - 30 bu/ac
    - 0%

- **Your Wheat Expectations**
  - **Your Expected Price**
    - **Projected Prices**
    - **Use These**
    - **2019**
      - 4.70 $/bu
    - **2020**
      - 4.81 $/bu

- **Advanced Settings** (Not recommended for most users)
  - If you have experienced exceptional circumstances in your county or would like to customize your analysis, check here to enable additional settings.
Step 5: analyze expected payments and distributions
Review of distributions

Negatively (left) skewed

- Mean < median
  - Lower probability of below average payment amount
  - But average may be low

Positively (right) skewed

- Mean > median
  - Higher probability of below average payment amount
  - But average may be high
Logistical reminders

- Record choice with local USDA-FSA agent
  - Can do so by phone
- 2019 program choice must be made by March 15, 2020
  - Set up appointment now!
- Election applies for both 2019 and 2020
- Annual elections begin in 2021 for 2021-2023
Thank you for your attention!

Comments and/or questions?

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