

## **The New Farm Bill is Complex!**

### **AGRI-VIEWS**

by Chuck Otte, Geary County Extension Agent

Every four or five years, we get a new Farm Bill from Washington, D.C. Contrary to what many people think, a farm bill is not agricultural welfare. It covers many areas other than just agricultural production. It includes conservation and education, nutrition and community development. It is very complex and takes a lot of time to figure out what all is in it and how it impacts production agriculture.

The part of the farm bill that does impact production agriculture has changed quite a bit with the most recent version of the farm bill. As you start trying to understand how it impacts your farming operation your goal should be how you utilize this, along with crop insurance, to manage your crop production risk. If your goal is to try to maximize an annual payment, you are approaching it in the wrong manner.

There are three things that you (or you and your tenant or landlord) will need to do. For the first time in over ten years you will be able to update farm yields and update bases. You can't add base acres, but you can update them to reflect what you are planting. The decision to update yield should be simple; if updated yields are higher than current yields, update! Your farm yield will be used in price loss coverage (PLC), but even if you don't choose this option, the yield may be crucial in future farm bills and who knows when you'll get to update them again?

Updating bases may not be quite as straightforward. If your objective is to manage risk, then yes, bases should be updated to reflect what you've been doing for the past five years. If your goal is to maximize payment, you may not want to reallocate bases. Decisions to update yields or reallocate bases must be done by February 27<sup>th</sup>. I'd get to work on this right now. The FSA office can tell you what the new bases would be if you do reallocate them. You can leave them as they are right now, you can update one or the other or both. You don't have to update if you don't want to.

I've already mentioned the PLC option of the program. The other two options are ARC-CO or agricultural risk coverage at the county level, and ARC-IC, agricultural risk coverage at the individual level. ARC-IC is not for very many producers. Ask me about this one if you are interested. If you sign up for ARC-IC, your whole farm is in it on all commodities. If you don't do ARC-IC then you can have ARC-CO on some crops and PLC on others. But the important thing to remember is that once you sign up, and the deadline for this is March 31<sup>st</sup>, you are signed up for the life of the farm bill.

PLC is designed to offer protection from extreme price declines. ARC-CO is designed to offer shallow revenue loss protection. ARC-CO payments will occur sooner, but payments per acre are potentially much less than with PLC. One of the real challenges in determining which options to sign up for is that so much is dependent on nationwide prices and county average yields. We have to predict that out to 2018, to do a good analysis, but nobody knows what prices and yields will be next year, let alone in 2016, 2017, or 2018.

Fortunately, there are educational programs being held. The first one will be in Manhattan at Pottorf Hall, 9 a.m. Wednesday December 17<sup>th</sup>. Call my office to register. I'll be having one here in Geary County at 7 p.m. on January 14<sup>th</sup> at the Fairgrounds. It won't be in-depth but we'll hit the highlights and the economics. There will be more programs as well so keep listening or call my office, 785-238-4161 for meeting details.