

Time to Get Serious About Farm Bill Decisions, Part 1!

AGRI-VIEWS

by Chuck Otte, Geary County Extension Agent

We are now one month away from the first deadline in conjunction with the 2014 Farm Bill and two months away from the second deadline. If you've been putting off decision making, it's time that you stop procrastinating and make a decision. With that said, not making a decision is an option. If you do nothing (which I don't advise) your yields and bases will stay the same and you will be automatically enrolled in the price loss coverage (PLC) option of the program, but you won't get any payment for 2014 (which probably won't happen even if you do sign up.)

The first deadline, February 27, focuses on reallocating bases and updating yields. These two decisions are independent of each other. You can update both, or neither. You can update yields but not reallocate base acres, you can reallocate base acres but not update your yield.

If new yields are lower than old yields, then the higher will be used. You don't have to bring in all your paperwork when you update yields, but if you are spot checked you will need to be able to prove your yields. Crop insurance records will be the most common accepted form of verification, but if you don't have crop insurance, you can use paperwork from the elevator. If you updated yields and are spot checked, but can not prove your higher yields, you probably will have to repay, with penalties, the difference between old and new yields. This decision is fairly simple. If you have the paperwork to prove your yields, update them! Updated yields will be determined by actual yields on that farm from 2008 to 2012. If you had yields in any given year that were lower than 75% of the county average for that year, these yields will be replaced by "plug yields" that are 75% of the county average for that crop for that year!

You can not ADD base acres, but you can reallocate them. You can't pick and choose what bases you want to reallocate and what you want to reallocate them to. This is already determined by what you actually grew in the 2009 to 2012 crop years. If you plant more acres than you have base, as happens on many farms, then a percent mix of crops planted over the four year period will be applied to your base to determine the reallocation. This is a yes or no decision. You use old base acres or reallocated based on past plantings.

Decision on whether to reallocate base acres will be determined by your objective for the farm bill. If you want to align base acres with what you are now doing, and you intend to maintain this crop rotation, then reallocate. In most cases this is what I am recommending. This will give you the best risk management protection. IF your goal is to maximize payments AND you have a large grain sorghum and wheat base, you may very well want to keep the old base acres. I'll discuss more of that next week because that option, in my opinion, carries some dangerous assumptions! Remember, we have no idea when we'll be able to reallocate base acres again!

One critical management consideration to keep in mind is that this program is not intended to replace crop insurance. I strongly encourage producers to carry crop insurance. Sure, you may never collect, but crop insurance is there to cover the catastrophic situation like a drought when you literally have nothing to harvest. Most of us carry homeowners insurance and hope we never need to collect, but it's peace of mind if something does happen. The options available in the farm bill give us some flexibility to cover shallow revenue losses or extreme price declines. Next week we'll discuss the other decision that needs to be made, whether you sign up for PLC, price loss coverage, or ARC, agricultural risk coverage, county or individual.