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2018 Farm Bill Considerations

AGRI-VIEWS

by Chuck Otte, Geary County Extension Agent

New Farm Bills come around about every five years, give or take based on the political process. What should have been the 2013 Farm Bill became the 2014 Farm Bill. It was a major overhaul and caused a lot of consternation for producers and landowners. The 2018 Farm Bill was a minor modification of the 2014 Farm Bill, with some improvements, so all of us are feeling a little bit more comfortable with it.

One of the challenges with the 2014 and the 2018 Farm Bills is that you have three program options, but one of the options is very rarely used and not practical for most producers so we won't talk about it. The two options remaining provide a shallow revenue loss protection or a low price protection. In 2014 you had to make a decision, crop by crop and farm by farm, and then you were stuck with it for all five years of the program. This time around producers are signing up right now but it will just be for 2019 and 2020. For the remaining three years you will sign up annually and can change back and forth. This reduces a lot of the crystal ball gazing that producers had to do in 2014!

The shallow revenue loss program is called ARC-CO and it stands for Agricultural Risk Coverage at the County level. If county wide revenue for the year is below the five year average revenue then producers receive a payment. There are limits in both programs as to how much a producer will receive. It's important to note that this program looks at the county average yield, not any one farm's yield and the price is a national average year price. If your farm has a disastrous year but the rest of the county was average or above, you will receive no payment. This is why neither of the programs are meant to be a substitute for crop insurance!

The low price protection program is called PLC or Price Loss Coverage. If the Marketing Year Average (MYA) price falls below the effective reference price (which is the last five years annual average prices) then a producer receives a payment based on that producer's program yield and the "base acres" for that farm, which is a long term average of what that farm has grown. It's important to note that for both programs payment is on the farm's base acres, not the crop acres being grown. Which can get confusing so we won't go into that any further.

The MYA price is a weighted average based on national average price for that crop. It takes the monthly price times the percent of the crop marketed each month. Potential payments for the 2019 crops won't be known for a few more months. The wheat marketing year is June through May, for fall harvested crops it's September through August. The wheat MYA price is starting to firm up as approximately 65% of the crop has been marketed. Price fluctuations from here on out will be weighted less. For corn, grain sorghum and soybeans the MYA price is less clear because less than 50% of the 2019 production has been sold so far.

For a producer to pick a program at signup they have to decide if price is likely to change much over the next 18 months or if they think that yields in 2020 are going to be low. I spent some time running the most likely scenarios for our four major crops through decision making tools. For the immediate area it shook out that with the likely price and yield we'll be seeing, wheat and grain sorghum acres should be signed up in PLC. Soybean price is not likely to crash much more so ARC-CO is the favorable option there. Corn is the wild card and producers need to look at their particular yields for their farm. These are all based on likely average scenarios and if you have questions on your farm, I'd be happy to sit down with you and look at what might be the best option for your farm.

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