QUESTIONS AND ANSWERS FROM OCTOBER 2, 2014 FARM BILL WEBINAR

Q: Our County FSA office will not have training till the middle of October.

Kansas FSA offices will be taking names, but not changes to base or payment yield until the end of October, after their state training.

Q: What is MYA price?

Marketing years correspond to when the crop was harvested until the next harvest. For corn, sorghum, and soybeans, the Marketing Year starts on September 1 and ends on August 31 of the next year. For wheat, the Marketing Year starts on June 1 and ends on May 31 of the next year. Wheat is most heavily marketed in the first three months after harvest and then varies in amount thereafter; consequently the Marketing Year Average is weighted by the percentage of the crop that is marketed each month. Corn, soybeans, and sorghum normally carry the largest weights in October, November and January, but there are exceptions. Sorghum in 2011 and 2012 is an exception. The National Average price each month is multiplied by the percentage of the crop marketed that month and then these weighted prices are added up to become the Marketing Year Average. The MYA price is tracked monthly on AgManager.info and register users will get an email when we update the MYA price and other economic issues on AgManager.info. There is no cost to be on the AgManager.info email list. People only need to send us an email and we will add you to the list.

Q: In webinar last Feb ARC yield was 28 and PLC yield was 42 and yielded a higher payment on PLC?

I am sure we used a different county as an example back in Feb. Also, the PLC yield is the producer's individual yield, which will not likely be equal to the county yield. The slide was just an example of an average situation.

Q: Is the $5.50 wheat reference price state or national?

$5.50 is a national price for wheat, set in 2014 Farm Bill statutes for the life of this farm bill. This is the price guarantee for the PLC program.

Q: What is the FSA yield, how is it calculated?
Q: Please define program yield again.
Q: Is FSA yield the counter cyclical # on 156-ez?
Q: A question we had come up is can you define program yield?
Q: So once we match those up can we take the simple average of the yields or does it need to be weighted to be accurate?

Program Yield (also commonly called FSA yield) is the individual farm's yield that was established with FSA in the 1996 Farm Bill or prior. It will be on the producer's FSA letter, called "2014 CC Yield" (the counter-cyclical yield from the previous commodity program). This is the yield a producer can update if they can prove yields 2008-2012. It is a simple average of the yield in these years. If you have years of bad yields, there is a 75% yield plug of the county's average yield for the years 2008-2012.
The Program Yield is used to make payments in the PLC program only, not ARC.
Go to the Farm Bill page on www.AgManager.info for an entire paper on the program yield. There also is a paper on base acre calculations.

Q: Is CC yield or countercyclical # the correct figure to insert in FSA yield?
Yes

Q: Why was FSA yield less than grower APH?
Before you update payment yield, it will be less than APH in many cases. The program yield may date back to 1981-1985, if you have never updated (see previous question). Technology and farming practices have improved yields significantly since then. The updated program yield is based on crops produced in the 5 years of 2008-2012. The APH is based on the prior 10 years of farm yields. If there are years in that 10 year history with a zero acreage report then some of those yields will be more than 10 years old. In some counties the APH yields are trend adjusted and this increases the APH yield. So one should not expect the APH yield and the program yield to be the same.

Q: Will FSA take APH records to update yields?
For most situations FSA will accept crop insurance records. However, you will update yields by Farm Serial number. The crop insurance records are by legal description. Those field level yields will need to be matched up with the appropriate FSA farm serial number.

Q: In assisting a producer in separating their units to match up with farms would we use a simple average for yield in the farm or would it be necessary to figure out a yield based on weighted average (more like a Personal T Yield calculation)?
Only the PLC and ARC-Individual Coverage (ARC-IC) use the farm yields. ARC-CO uses county yields only, but we encourage farmers enrolling in ARC-CO to update their program yields if higher, because we don't know what will be in the next Farm Bill. Farmers will update their program yield for PLC based a simple average of yields from 2008-2012. The ARC-IC uses the prior 5 years of yields starting in 2008 and prices to generate a revenue for those 5 years. The guarantee is then based on an Olympic average of revenues, not yields only. Unlike the program yield it is a moving Olympic average revenue and changes with crops planted. Simple huh?

Q: You want to use your 10 yr. APH or the five years they will use?
FSA will use your yields from 2008-2012 to update payment yield.

Q: What if we have comingled production for crop insurance on one unit for two FSN's...can we use this one unit for both FSN yield and acre avg's?
Yields will have to be somehow separated by FSA farm serial number and you will be responsible for documentation if you are audited.

Q: So, by the time we move 4 years into the future, will we be dealing with the MYA Price 14/15, 15/16, 16/17 & 17/18? The price path in future years will impact ARC vs PLC net returns down the road it seems.
Yes, you are correct. Besides PLC, where reference price is set in statute, the other guarantees will move with the market.

Q: How is an “Olympic Average” calculated?
Olympic average is the last 5 years, removing the high and low, and averaging the remaining 3 years.

Q: When they get prices from the elevators, is it based on when the check is issued to a producer? For example some farmers hold checks until Jan.
The elevators report the total bushels purchased in the month and the total dollars paid. If they pay in January, my guess is the elevator recognizes the sale now because they would be on accrual accounting. My understanding is the survey is not supposed to include forward cash contracts.

Q: County yield matching on ARC exactly matching program yield on PLC, unlikely.
Agreed. That was just an example using an “average” producer, so they matched. In reality, the individual producer will likely be higher or lower than the county average.

Q: How does Prevented Planting acres play in this spreadsheet?
Approved preventative planted acres will be included in historical planted acres. If you planted a subsequent crop because of preventative planting or failed crop, you have the option of including the first crop or the subsequent crop (not both) for your historical planting. The tool does not do this for you, but you can do “what-if” scenarios with both options. Input the total planted acres to reflect planted, preventative, or subsequent.

Q: How flexible will this commodity program be for rotations and cover crop use?
It depends what program you choose. PLC and ARC-CO pay on base acres, so what you actually plant does not matter (e.g. payments are decoupled). ARC-IC will set guarantees based on current year’s plantings and on a weighted amount of historical revenues. Cover crops that are intended for soil purposes are not covered commodities, so will not be included or effect these programs.

Q: If you recently engaged in a cash lease, can you use the prior producers APH, or will you have to use the county's T-yield like you do for crop insurance?
I am assuming you are talking about updating FSA payment yield. If you can get the previous producers records, and they are verifiable, then yes you can use these to update payment yields. If you cannot, you are stuck with the current payment yield. If the farm has base acres and an FSA number, it will have payment yields. The county’s T yield is not used in this calculation. If you have years of bad yields, there is a 75% yield plug based on the county’s yields during the years 2008-2012.

Q: Does the spreadsheet automatically update the future prices on the last slide?
The FAPRI prices are price predictions, not futures prices. Therefore the model does not automatically update with futures prices because the FSA programs use the Marketing Year Average (MYA) prices. The MYA prices are updated monthly on AgManager.info.

Q: Are average county yields calculated by taking total production/total planted and approved preventative planted acres?

In the past FSA calculated the county yield based on total county production divided by harvested acres plus failed acres. In the past FSA obtained failed acres from RMA.

Q: If you have 0 base acres for a crop “such as your example" do you even have corn listed as a base crop? You can't add a crop to your base.
If you reallocate and have planted that crop (corn in the example) in 2009-2012, you can add a crop to base. You can’t increase base acres, but you can reallocate base acres based on program planted acres during the years 2009-2012.

Q: Can you add any crop to generic base on a year by year basis?
Yes, this is the wording in the final rules:

“*Under ARC and PLC, generic base acres planted to a covered commodity will be recognized as base acres of the planted covered commodity in certain instances (without regard to the base acres of that covered commodity that may be on the farm). In other words, when there are generic base acres on a farm and covered commodities are planted or there are eligible subsequently planted crop acreage, the acres planted to the covered commodity or eligible subsequently planted crop acreage that are attributed to the generic base acres become base acres of the covered commodity for the purposes of ARC and PLC, thereby increasing the base acres of that covered commodity on the farm (by virtue of planting covered commodities, or eligible subsequently planted crop acreage on generic base acres) only in the year of planting.*”

Q: Once generic base acres are allocated are they locked in for 5 years?
No, generic base may change each year depending on what is actually planted.

Q: On the 156EZ, if acres are listed under prevented, double, or subsequent, can I assume they are "approved" and can add them together along with planted?
If they are listed on the letter, yes they are approved, unless there happens to be an error in the FSA numbers. You cannot simply add them together in the case of subsequent acres (crop planted because of original crop had preventative planting). You will choose to include either the preventative planting acres OR the subsequent acres (not both). The only exception to this is in counties where double cropping is an approved practice.

Q: Wouldn't there be SCO payments for all crops in each year that it didn't pay which would cause the final payout to be reduced?
If there is no SCO payment then the final net payout would be reduced by the amount of the premium paid for SCO. In the example, wheat was not planted in all years, so SCO premiums were not charged in years that wheat was not planted.

Q: If county yields are way lower than program yield will PLC/ARC be a toss-up on Wheat?
If PLC falls below the reference price and payments are made, a high individual program yield may make these payments larger than ARC payments. It will depend on how much lower is the price versus how much the payment yield exceeds the county

yield. However, if MYA does not get below the reference price, there will be no PLC payments but there still may be opportunities to collect Wheat payments on ARC because of "high" Olympic average prices used to set the ARC guarantees and possibly low county yields. Kansas and other southern Great Plains states will have below average county wheat yields in 2014. See Art's paper "Should Farmers Elect PLC on Wheat?" on www.AgManager.info.

Q: So it seems the local FSA meetings will be held during Nov-Dec instead of Jan-Feb?
Right now the plan is for county FSA offices to hold meetings for producers in November and December to make producers aware of the programs and their choices, and K-State's longer meetings to help producers choose a program based on economics will be January and February.

Q: When we do an update to your spreadsheet do we need to re-enter information or will what we entered be automatically updated?
Q: If you entered and saved info for a number of farms and then did an update by using the check for update button on the tool will the entered info be lost.
Yes, this is inconvenient but unfortunately how the update works. Save your old copy under different name choice by you so you can copy and paste the numbers into the updated version.

Q: Has anyone done comparisons using Optional Unit Coverage for more inclusive coverage on the MPCI premium and buying SCO for an enterprise type coverage on top portion of the yield?
That is one possibility. Another possibility is buy higher coverage at 80% or greater under an enterprise unit and often for less farmer paid premium. That will increase the effective strike price where Revenue Protection (RP) will trigger payments with an average yield. Then either add the SCO that has a very "low" cost per acre, but the rate can be "high"; farmer paid premium divided by dollars of coverage (liability). This should surprise no one because the SCO is first dollar loss coverage. One could use the extra premium dollars to purchase private fire-hail-wind coverage rather than buying SCO. The SCO is tied back to farmers' APHs after being triggered by the county loss. While private hail is spot loss (loss on part of a field) and covers the amount of the crop that is in the field. This is import if the actual yield in the field is greater than the APH and private hail carries a lower deductible. However, farmers pay 100 percent of the premium cost including the operating expenses on private hail. This is the difference between risk management and maximizing government subsidies. As a general statement anytime farmers are collecting indemnity payments on Federal Reinsured products they are have a financial loss. In spite of the press stories, collecting crop insurance payments is seldom a profit maximizing strategy. In most case farmers are better off with yields equal to or above their APH.

Q: Clarify this: we can choose ARC/PLC by crop for each farm number?
In the case of ARC at the county level and PLC, yes. You can put corn in PLC and wheat in ARC-CO if you want. If you have two farm numbers, you can put corn on Farm 1 in PLC and corn in Farm 2 in ARC-CO. If you elected ARC at the individual level, all

commodities per FSA farm number will be combined to form the guarantee; hence you cannot separate crops into different programs on the same farm number in this case.

Q: Could you talk about the no program enrollment option?
If you do not elect a program (crop share landlords and tenants cannot agree, etc.) you will give up any 2014 payments and will automatically be entered into PLC. If it is cash rent, then the tenants controls and selects the program for enrollment. This means the tenant is making the decision for the next 5 years even if she is no longer the tenant in the remaining 4 years.

Q: Is it agreed that if there is no base acre allocation for a crop there will be no payment for the crop under either program?
That is correct. ARC and PLC pay on base acres, so if you have no base acres then you have no payments. You can still purchase SCO however, since it pays on planted acres and is a crop insurance program.
If you have base acres on the farm but not in the commodity you are planting, you will not receive ARC-CO or PLC payments on that commodity. For example, if you plant corn but have wheat base, you will not receive corn payments. The exception to this is ARC-IC, which is weighted by planted acres in the given year. Base allocation does not matter in this program; payments will be made over total base acres in proportion to planted covered commodities.

Q: When will information regarding the STAX program be available for cotton producers?
STAX is county trigged crop insurance that replaces the FSA commodity program. However, cotton growers retain the FSA non-recourse loan program on cotton. Cotton farmers also retain generic base, so if they plant 1 acre to anther program crops, then they can move their cotton base to that crop and collect the ARC-CO or PLC payment, if any. The decision on the crop to move generic cotton base is an annual decision based on the alternative program crop acre planted. If they plant 1 acre to the alternative program crop then they get the payment on 85% of their base acres, including cotton generic base acres. This does not fit the ARC-IC.

RMA pays 80% of the STAX premium and it covers from 90% to 70% coverage. Cotton farmers are also allowed to purchase regular crop insurance below STAX. It is suggested farmers buy at least the CAT level of individual coverage. Cotton farmers may buy SCO coverage, but they may not buy both SCO and STAX coverage on the same acre. It is expected that most cotton farmers will buy STAX.

It is expected that you will find more on the STAX contract on the RMA, FSA, Oklahoma State University, and Texas A&M websites. I would suggest you Google it for more information.

Q: Has the SCO issue been resolved concerning a farmer going with ARC on one farm and PLC on another farm. Crop insurance requires you insure all acres of a crop in a county.

Yes, farmers will have SCO coverage only on the acres that are not enrolled in ARC. This means that all acres in the county will not be insured under SCO. However, your standard crop insurance coverage will require all acres in the county to be insured. This does create additional liability for the crop insurance who must tract the acres that are not eligible for the SCO coverage.

Q: Future farm recombination; how does that affect payments?
This would depend on the situation. Any change in base acres would change the payments (if any).

Q: Do you have config. control (rev date and description of changes) and ERATA (errors fixed) clearly identified from version to version of the excel based modeling tool?
The most recent version of the tool will be available on AgManager.info. We aren't currently keeping a record of the errors for public use.

Q: If you recently added a farm with production commodities/history different than planned commodity rotation, can you adjust base acres (not total) to represent future planned acres?
No, you can only reallocate based on 2009-2012 planted acres on that farm.

Q. Can base acres in the CRP can changed?
Q: For a new tenant on land coming out of CRP, are they stuck with old base?
If the land owner protected the base when it was signed in to a CRP contract and the owner did not move the base acres to other planted acres on the farm, then the base acres will be return when the CRP acres are brought back into production. You will not have any production history to reallocate base acres or to update the payment yield.

Q: Do the landlord and tenant have to agree on the acres?
Q: Does the tenant and landowner have to choose the same program?
The landlord will make the decision to reallocate base and/or update payment yield. The tenant and crop share landlord must agree on the program election if they both share risk. In cash rent, the tenant will decide on the program.

Q: Please repeat: cash rent is tenant's call on either ARC/PLC?? Not what I have been told previously.
Yes, under cash rent it is tenant's decision and a point of emphases at the National FSA training conference.

Q: Can you repeat what you said about the tenant and landlord on a cash rent basis? The tenant has the final say, true or false?
True.

Q. If a landlord have 8 tenants do all 8 have to agree?
If it is a crop share lease and they are all on the same FSA Farm number, then yes they have to agree.

Q: If a landlord has multiple county FSNs - do all the tenants have to agree if they crop share?
Election is by FSA Farm number, so all tenants and landlord (if sharing risk), would have to agree for each farm serial number.

Q: If landlord has multiple crop share tenants - if ARC-CO is elected on corn can each tenant elect a different program ie: ARC corn and PLC wheat by tenant or do all tenants have to agree?
Election can be different on different crops, (PLC wheat, ARC-CO corn), and yes all tenants on that serial number farm would have to agree, unless it is a cash lease.

Q: Clarification...One (1) landlord with 5 tenants, all different farm numbers. Do they all have to agree on enrollment?
Just the ones that are associated with each farm number, assuming it is not a cash lease. Program election for each farm number can be different.

Q: What if a landlord does not want to be in the FSA program, as a tenant how does that effect you?
It depends if it is a cash lease or share/flex lease (shared risk). If it is a cash lease, farmers will probably will be stuck with historical base and yield if the landlord will not update, but they can elect and enroll in a program. If a crop share, then farmers will need the landlord to agree with program election and agree to be in the program.

Q: I have had clients that have told me that landlord is not involved in FSA programs and it is crop shared. Is the tenant just out of luck to be in the program or is that farm put into PLC?
They will have to get the landowner to agree, unless the landowner has signed over power of attorney to the tenant. Otherwise, yes they will lose 2014 payment and be put into PLC. If the landlord on a crop share lease refuses to participate in the FSA program, then the land cannot be enrolled in any program.

Q: In cash rent situation does tenant also get to choose to update program yields and base acres?
No, this is the landowner’s decision since this information will stay with the farm.

Q. If the 4 year co. yield is incorrect when can we expect that to be changed
It is actually a 5 year yield (2008-2012). That issues should have been fixed in the last update.

Q: Can you explain why in the example that you only received a payment in the two years that you planted wheat? It is our understanding that all payments are based on Base Acres. How will that work?
It was a coincidence that the example had wheat acres planted in 2015 and 2017 and those were also the two years I set yields to be low (2015) and prices to be low (2017). Sorry for the confusion!

Q: If the farm changes hands are you locked into previous program choice?
Yes. The elected program will stay the same for the remainder of the 2014 Farm Bill. However, farmers are require to enroll each year, but there is no program choice.

Q: Does this tool work with all versions of excel?
No, older versions of Excel will not run the OSU-KSU decision aid. If it will not run on your Excel, then most likely you will need to update your Excel in order to use the decision tool.

Q: Would you please review the per year payment limits for each alternative?
Q: What are the payment limits for PLC, ARC-CO, and ARC-IN?
Both ARC and PLC have a $125,000 limit per individual actively involved in farming per year (including any marketing loan gains or loan deficiency payments (LDP), but farmers may forfeit the grain under loan). Spouses may collect an additional $125,000. Crop insurance payments and SCO are not subject to payment limits. Any individual with a 3-year average Adjusted Gross Income (AGI) over $900,000 (farm and non-farm combined) is ineligible to receive farm program payments, but are eligible to purchase federally backed crop insurance if they meet conservation requirements. The OSU-KSU decision aid calculates the payment without limits. Because we don't know know how many entities one has on their farm, it is possible with multi generation farmers to have much higher effective limits than $125,000. Limit on AGI will need to be checked by FSA for farmers near the limit.

Q: Does ARC-IC sum all gains/losses of all commodities on a farm to determine if that FSN qualifies for payments, or do they look at your own yields individually by crop and pay accordingly?
Q: Does ARC-IC look at the gains/losses of all commodities on a farm to determine a payout, or do they look at each crop individually and pay on each commodity independently?
Your yields for each crop will be multiplied by the Market Year Average, and then weighted by the percentage planted of that crop in that year to come up with a whole farm actual revenue. The aggregated total farm revenue will then count against the all crop revenue guarantee and pay the difference.

Q: Do you have to have crop insurance to be eligible for any of these programs?
Not for PLC or ARC. The type and amount of SCO so coverage is based on the type and level of crop insurance coverage. Therefore, to be eligible for SCO farmers must buy crop insurance.

Q: Your calculator requires entry of APH for a farm #. APH is by insurance unit (ie field). Do we average APH across units of insurance for farms with multiple insurance units (fields)?
Farmers will need to aggregate there field level records to the farm serial number. The FSA yields are all based on farm serial numbers, so crop insurance records will need to be organized by farm serial number.

Q: IF you elected SCO for wheat, can you drop it by the deadline even if you are undecided on which program to enroll in?
Q: Do you have to enroll in ARC in order to drop SCO by the deadline?
You can drop SCO by the reporting deadline (Dec. 15th for Kansas Wheat) regardless of your intension to elect a program. If you wait until the election deadline for PLC/ARC (March 31st), USDA will automatically cancel your SCO contract and charge you 20%, if you elect ARC. If you elect PLC, you MAY be able to cancel your contract with the 20% fee, but this has not been confirmed with RMA.

Q: Will the county yields for SCO be divided by Irrigated vs non-irrigated?
Yes, if there is significant yield in the county to qualify for that (generally at least 25% of yield must be in one of the practices).

Q: Can you put your dryland corn in PLC and irrigated corn in ARC?
Not unless they are separate farm numbers with FSA. If both irrigated and non-irrigated corn are planted on the same farm serial number, then then farmers can only elect one of the programs for "both" crops. One could plant the dryland acres to sorghum and elect a different program for the sorghum.

Q: With the Decision Support Tool, while updating yields, if you have a combination of irrigated and non-irrigated wheat, do you average the yields between the two practices and enter the result for that particular year?
Yes, take total production divided by planted acres. Under the FSA rules there is only one wheat base and one program yield per farm serial number. If there are a significant number of irrigated acres, then it is likely the yields are higher, and for this situation farmers would likely benefit from updating their payment yield.

Q: Can ARC County and PLC coverage be divided by irrigated and non-irrigated crops?
PLC only triggers on price, and then pays on individual FSA payment yield. So irrigation does not matter because both practices are averaged together to update the single payment yield.

On ARC County, if the county qualifies (significant production in both practices), there will be separate trigger for irrigation acres versus dryland. Payments will be made on the crop base in the percentages of historical plantings of dryland and irrigated.

Q: Does the decision tool allow you to input data for multiple farmed counties that are all part of one farm serial number?
No, unfortunately it can only look at one county at a time. The object was to create a simple decision aid to explain a complicated farm program. Excel was chosen as the platform because it is widely available. This allows farmers to download the program to their computer and not require a fast internet connection to run. The other decision aids run online. So OSU-KSU's model accounts for most of the alternatives that most farmers will face. For the more complicated farm situations that cross county or state lines, farmers may want to use the online model from Texas A&M and the link is available on the USDA Website.

Q: Will FSA POA's allow the tenant to update base allocation?
Q: What about FSA POA for choosing a farm program--PLC vs. ARC?
FSA will honor power of attorney from the past. So in this case, yes the tenant can make these decisions.

Q: In Areas with large amounts of prevented plant acres is the county yield determined by dividing total production by planted and approved pp acres or are the pp acres disregarded?
In the past FSA calculated the county yield based on the total county production divided by harvested acres plus failed acres that were provided by RMA.

Q: A farm has no base acres. Corn has been planted and certified @ FSA for the past 8 years. There are no base acres to reallocate. Is ARC & PLC programs NOT available on this farm?
Unfortunately, no. You cannot build base, so if there is none to begin with, you won't be eligible for any payments. You may still purchase SCO.

Q: If a producer has land they added to their operation after 2009, but it had acreage planted prior to them acquiring it, how will they report yields on that land in order to update Program Yields?
Unless they can get verifiable yields from the previous producer, they will not be able to update yield.

Q: Regarding payment limitations...when the payment entity is a general partnership, would the limit apply to the partnership or rather each partner within the partnership? For instance, would a general partnership with two partners have a limitation of $125,000 or $250,000?
For general partnerships the pay limit is at the member level. Each member has a limit. 2-member partnership has two limits.

Q: Is LLC considered to make out at $125,000. What about an LLC with two individual owners?
LLC is handled like a Corporation – the entity only gets one limit. Payments are attributed back to the members – and there is also a member limit.

Q: Just left my local FSA office and had long discussions on FB implementation and procedures. They are still quite confused. Regardless of that, they have now confused me more. In a progressive farmer article that I read on 9/29. It clearly says that, "some people have suggested that the lowest ARC price that will be used in the 5 yr Olympic average will be the PLC reference price. THAT IS NOT THE CASE!" The MYA no matter what it is for that MY will be used in determining the 5 yr base for prices, then throwing out the high and low.
My FSA just gave me a document from their training manual from last week's training that clearly implies the exact opposite.

"ARC CO- benchmark price of each of the 5 most recent yrs will be the higher of either of the following: MYA price determined by NASS or Reference Price set by statute"
If this is correct, why would anyone choose PLC for corn, soybeans and wheat when the ARC data base can be no less than the PLC reference prices? There is no downside price risk with ARC the way FSA is outlined the pricing component. To me that was going to be the 10 million dollar questions for the farmers, do I take the ARC payments for 14 maybe 15 and risk that we stay low in pricing and wish I had chosen PLC for 16-18??? Can you confirm, deny or really don't know, which procedure is correct??
That number is correct. The statute price is the minimum price when calculating the 5 year Olympic average price from the annual MYA prices. In the case of corn the 2009 MYA price was below $3.70, so the statute price of $3.70 replaces the actual MYA price for 2009.

The reason PLC might pay more is if the MYA price is below about $3.30 (depends on the farm's program yield vs. the county yield). The ARC payment is stopped out at 10% for the reference revenue. In the example table used in the Webinar that the ARC stop loss was $64.01. There is no stop loss in the PLC. Next spring, if the market stays low the price could be down to $3.30 or lower. That means one could have an at the money free put, if price is below $3.30 and there is no stop loss in PLC. One could sell that put for 40 cents. That is why understanding the MYA calculation is so important.
Effectively the PLC probably matches up best with a March rather Dec put.
The individual ARC is even more interesting. We about have that one solved, but the ARC-IC guarantee is based on the crop planted unlike the two other programs. Without that 10% of reference revenue stop loss this is an APH insurance contract. We are working our software to get the calculations correct.

Q: I have a question from the webinar yesterday. On the slides showing the projected 2014/15 MYA prices for Corn and G Sorg, the entry for September on Corn was $3.38 and for G Sorg it was $3.68. Do you have any explanation of why this would be higher for GSorg than Corn? Or any idea of what we should expect in the future?
However, don't read a lot into it because it is only the first month MYA price has been released from NASS and even it is a preliminary monthly price. Therefore that number will change as NASS gets more data for the month. If it still there after 5 months into the market year, then there may be something going on.

Q:I was originally thinking that IF a producer wanted to sign their Corn up for PLC but they have any GSorg base acres they should leave them as GSorg and enroll them in PLC first because the reference price is $3.95 vs $3.70. After seeing that it makes me question that assumption. However, when I look at the historic MYA prices on those slides G Sorg is consistently lower than Corn. Thoughts??
Lower grain sorghum prices with a higher $3.95 reference prices makes the sorghum payment larger. It does require a MYA price below $3.95, but there is not stop loss in PLC program, while ARC payments are limited to 10% of the reference revenue.

Q: In the final rules, it says the ARC-IC plug will be the same as the ARC-CO plug (70% of the transitional county yield). See my snapshot below. I have not found anything that addresses what will be used in the years where the crop was not planted. I will have to ask FSA for clarification on this.
Benchmark years that are zero planted acres – will receive 100% of county average yield. For example, a farm with 3 years of actual or substitute yields for the 3 years of planted acres will have 2 years of 100% of county yield for the zero planted years. There must ALWAYS be 5 years of benchmark yield data – actual, substitute or assigned. Substitute will be 70% of the T-yield, for years that a producer has very low yields.

Contact info:

The Webinar was recorded and is still available. The cost is $25. Contact Rich Llewelyn at rvl@ksu.edu. Or register at: http://commerce.cashnet.com/KSUAGECON.

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