www.agmanager.info
barnaby@ksu.edu
785.532.1515 (phone)
785.532.6925 (fax)

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G.A. "Art" Barnaby Jr.

Should Farmers Elect PLC on Wheat?[1]

Art,

Our office has attended a couple of Art's meetings on the farm bill. They were quite some time ago. Long story short, does PLC still appear to be the way to go on wheat?

Thanks for your time,

Wheat Crop Agent

Dear Crop Agent,

It is very unlikely that PLC will pay on wheat in the first year. ARC will pay on wheat only if there is also a county yield loss, so some Kansas counties will collect. I expect more counties in Oklahoma and Texas will be eligible to collect wheat ARC-County payments in the first year.

I would not change my level of RP coverage based on the commodity program. I would add SCO because farmers can cancel it prior to December 15 with no premium cost. So if producers are at 80% coverage, then add SCO, that will only cover 6% of the revenue, but farmers remain flexible to change their decision. I would also compare the premium cost for 70% coverage plus SCO versus 80%

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[1]Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, August 14, 2014, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

enterprise Revenue Protection coverage. If farmers are willing to trigger their payments based on county-level yields under SCO, then farmers should also be willing to trigger payments based on whole-farm yields, because that is less aggregation.

If sign-up goes into next year, and farmers' sign up in ARC, USDA will cancel their SCO and charge a 20% of premium fee. So if a farmer paid $5 for the SCO, it will cost this farmer $1 to keep the flexibility of the extra coverage that may carry into next year and without cost until December 15. This will allow farmers to reconsider their decision once USDA releases more of the final rules. Also, more of the prices that affect the outcome will be final rather than estimates.

However, if sign-up is late (we don't know that today) and next spring it is clear the county is going to have a wheat crop failure, then sign up in PLC and collect the SCO payment. If the wheat looks good, then take the ARC payment, assuming prices favor that option.

These are the kind of questions that will be covered at the Risk and Profit Conference in Manhattan on August 21-22. For more information on Risk and Profit: http://www.agmanager.info/events/risk_profit/2014/default.asp

or to register the link is at: http://commerce.cashnet.com/KSUAGECON

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