# Farm Bill Program Enrollment Decisions by Kansas Farmers

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The 2014 Farm Bill required Kansas producers to make a series of enrollment decisions that were both complicated and based on incomplete information. With this bill, producers were required to complete a one-time enrollment in one of three programs, Agriculture Risk Coverage-County Coverage (ARC-CO), Agricultural Risk Coverage-Individual Coverage (ARC-IC) and Price Loss Coverage (PLC), to serve as a safety net for poor crop prices and/or yields over the five-year life of the legislation. As agricultural production represents the largest sector of the Kansas economy, valued at over $64 million annually (43% of the total economy), the analysis of predicted and actual enrollment is crucial in giving insight into producers' decision-making processes. The current downturn facing the agricultural sector coupled with political pressure to reduce federal expenditures only intensifies the need for an effective and economically sustainable safety net. Due to the nature of the one-time enrollment for the five-year life of the 2014 Farm Bill, it is imperative to understand how producers made their program selection. Considering the effects of incomplete information on producers' decisions provides an opportunity to identify challenges associated with program selection under the 2014 Farm Bill and suggest changes for future farm support legislation.

Data used for the analysis of program enrollment were collected from a variety of sources: FSA, NASS, and Kansas State University were all sources of information used to statistically investigate factors affecting program enrollment by Kansas farmers. Survey data were obtained from approximately 1,400 producers across the state of Kansas to help identify specific enrollment considerations. The surveys were collected before and after K-State Extension educational efforts at 15 meetings. These meetings were held across the state of Kansas between January and March of 2015 and attended by over 4,000 farmers, landowners, and others.

**Highlighted Results**

1. Impact of crop insurance coverage levels on ARC participation: For all four crops, higher levels of crop insurance coverage increased the probability that ARC would be the preferred program. This effect likely reflected the relative value of buying additional coverage under the SCO program available with PLC. For producers with coverage levels approaching 80-85%, the additional value of purchasing 1-6% coverage under SCO was small. However, for producers with lower levels of coverage, the additional coverage available under SCO made PLC the preferred program.

2. Overall uncertainty of program attributes: For respondents who answered “Don't Know” for questions about which program offered the best risk protection, which program would have the highest payouts over the life of the legislation, and whether or not they would choose

to update their base acres, PLC was the preferred program. The uncertainty of the respondents regarding the overall protection provided by the programs may have given them an incentive to enroll in the simpler of the two programs. PLC's use of only the marketing year average price and predetermined reference prices made it less complex than ARC.

3. Some of the factors affecting enrollment decisions were not consistent across all the crops. For example, for respondents in counties with high expected payments under ARC for 2014 (as estimated by K-State), ARC was the preferred program for wheat and corn. However, there was no similar impact for soybeans, due primarily to a low number of counties that expected an ARC payment in the first year.

4. Similarly, producers with more years of farming experience were more likely to select PLC for their wheat and corn acres. This result is likely a reflection of older producer's previous experience with low prices that may not have been on the forefront of the decisions by made younger producers (who had just come off several years of record-breaking prices.

**Implications for the Next Farm Bill**

*Year one expected payments are likely to impact decisions:* The challenge to farmers making a decision that they are locked into for 5 years is forecasting future price and production conditions. The tendency of Kansas farmers to enroll wheat and corn acres in ARC when the expected first year payment was relatively high, reflects a preference for choosing the program where they will at least receive one payment. This approach to decision making may not be in line with what policy makers intended for producers to consider when choosing a program, but is likely to affect decisions for the next farm bill.

*Timing matters for decision making:* The relatively high returns producers had been experiencing prior to the 2014 Farm Bill likely framed their expectations for more years of high commodity prices, therefore reducing the attraction of the PLC program, especially for younger farms will less memory of low commodity prices and net farm returns. Going into the next round of farm bill negotiations, farmers will have experienced low and even negative farm returns. This may alter their program choices to prefer PLC, especially if the reference prices are as high as they were in the 2014 Farm Bill.

Understanding why a specific enrollment factor was of particular significance to a producer can be challenging. It is important that moving forward, the design of farm policy takes into consideration individual characteristics of producers, their operations, and their risk preferences. Given the different scopes of PLC and ARC (catastrophic versus shallow coverage), legislators should also seek to identify what goals they hope to accomplish in the design of farm policy. Should programs maximize payments to producers or limit them in order to reduce federal outlays? Should special care be given to design programs that disproportionately benefit less experienced producers over more experienced?

Additionally, given the results of this research, should lawmakers consider directives that provide additional funding for educational efforts in order for producers to make an informed program choice?

The results of this research also suggest that legislators should consider producers' expectations and preferences when designing farm policy. Producers' payment and risk preferences as well as their outlook for the agricultural sector are founded in their experiences and information available to them. As such, legislators should offer programs that allow producers the opportunity to fully assess the impacts of their enrollment choice and select a program that meets their specific needs for farm policy. In order for this to occur, farm legislation should consider what aspects of previous farm bills worked/didn't work, what the current state of the farm economy looks like, what considerations should be made when writing the legislation, as well as the health of the farm economy in future years.