



October 28, 2016

FARM PAYMENT SUMMARY

The Farm Service Agency finalized the Farm Program payments in October. These programs provide assistance only when there are market downturns and/or yield declines - - unlike the old direct farm program payments which issued payments regardless of good times or bad. Farming is a risky business producing food, fuel, food and fiber mainly because of the weather plus price risk. USDA is making more than \$7 billion in payments under the ARC-County and PLC programs to assist participating producers, which will account for over 10% of USDA's projected 2016 net farm income.

It was an important notification for farmers that have a significant portion of dryland farming acres in Saline County, because there were no dryland payments last year and the continued price decline in the grain markets. In Nebraska, Farm Program payments totaled \$643,860,397. Statewide, 12,090 farm entities received PLC payments and 74,016 with ARC-CO.

It is very important with this program that farmers report accurate yields to the Nebraska Agricultural Statistics Service (NASS) when they are asked. With high yields it raises our county guarantee. With low yields it effects ARC-CO payments. So accurate information is crucial either way for a single county for the statistical methodology that is used.

In Saline County the average crop yields for the 2015 crop was reported as follows: Dryland Soybeans 40 bu; Irrigated Soybeans 62 bu; Dryland Corn 129 bu; Irrigated Corn 193 bu; Milo 93 bu; and Wheat 32 bushels. We didn't have enough farmers report to NASS their dryland and irrigated corn yields the last two years so FSA had to separate this out from a "blended" county yield. Hopefully in the future these numbers will be separated for Saline County and known in February.

At these levels the shallow loss safety net called the Agriculture Risk Coverage (ARC) paid out per base acre the following: Dryland Corn \$64.54; Irrigated Corn \$103.16; Dryland Soybeans \$49.08; Irrigated Soybeans \$74.85; Milo \$44.37; and Wheat \$26.80. The payments are not per planted acre, it's by USDA base acres of a particular crop. For example, an 80 acre farm might have a 50% corn base, it just depends on the farm history with the Farms Service Agency. With the irrigated corn payment of \$103.16 total, payment is multiplied by 85% and then a budget sequestration reduction of 6.8% before multiplying it by the irrigated base acres.

ARC-CO was calculated from the decline below 86% of a moving average benchmark revenue tied to the 5-year Olympic average county yield and national price, plus it has a cap and farm entity payment limitation. The challenge is with a declining market, the benchmark will decline too, so 2017 and 2018 crop payments received in the fall of 2018 and 2019 with average county yields is expected to decline substantially if markets stay in the doldrums. As a result, ARC-CO provides a bridge for making adjustments reacting to a down market and glut of grain.

In contrast, Price Loss Coverage (PLC) are payments when the national average marketing price of a crop for that crop year falls below the reference price. Reference prices set by Farm Bill law are as follows: Corn \$3.70; Milo \$3.95; Soybeans \$8.40 and Wheat \$5.50. For the 2015 crop, Corn paid \$.09 per bu; Milo \$.64 per bu and Wheat \$.61 per bushel. Total payment is based off your FSA yield on file times 85% times the farm base acres times these quoted prices and the budget sequestration reduction. It gets complex.



These farm payments are county and farm specific and are not considered large on a per planted acre basis. More information can be found at: <http://ow.ly/UbN4305DaI6> Next week I will be concentrating on tax planning in low income years.

Randy Pryor, Extension Educator

University of Nebraska-Lincoln Extension in Saline County • 306 West 3rd Street, Wilber, NE 68465

Phone (402) 821-2151 • Fax (402) 821-3398 • e-mail: randy.pryor@unl.edu