Commodity Program Decision Tools



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Why should a producer use the decision tools?

- ■Understand how the programs work
- Analyze different price/yield scenarios
- Compare options if the owner retains current base acreage or reallocates base acreage
- Analyze FSA commodity choices and crop insurance choices together for more effective risk management



What data is needed? FSA Number Crop CC Payment Yield Base Acres Historical Planted Acres (2009-2013) APH Yield Historical Crop Yields (2008-2012) Insurance Policy Type (YP, RP, RP-HPE) and Coverage Level Current/Future Planted Acres (2014-2018)

OSU-KSU Farm Bill Decision Aid

by J. Campiche, E. DeVuyst, G.A. Barnaby, and M. Taylor



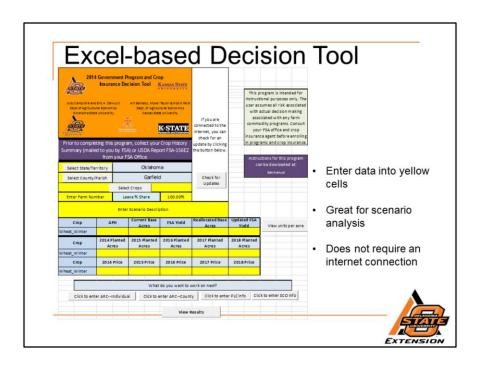


Where do I find this decision tool?

http://okla.st/DecisionTool

OSU Farm Bill Website: http://agecon.okstate.edu/agpolicy/farmbill.asp





The Variables

Crop	АРН	Current Base Acres	FSA (CC) Yield	Reallocated Base Acres	Updated FSA Yield		
Wheat_Winter	34.0	1.0	40.0	1.0	40.0		
Crop	2014 Planted Acres	2015 Planted Acres	2016 Planted Acres	2017 Planted Acres	2018 Planted Acres		
Wheat_Winter	1	1	1	1	1		
Crop	2014 Price	2015 Price	2016 Price	2017 Price	2018 Price		
Wheat_Winter	\$ 5.990	\$ 4.940	\$ 4.200	\$ 5.000	\$ 5.500		



PLC Potential Payments

	Prio	e Los	Cover	age C	alculati	ons								
Crop	2014 Price	2015 Price		2016 Price		2017 Price		2018 Price						
Wheat_Winter	\$ 5.990	ş	4.940	\$	4.200	\$	5.000	\$	5.500					
Crop	Current Base Acres	Loan Rate		Reference Price		Reallocated Base Acres		Updated FSA Yield						
Wheat_Winter	1	\$	2.94	\$	5.50		1.0		40.0					
	PLC Pa	yment	s with Cu	rrent l	Base Acre	s and	UPDATED	FSA Y	ields 1009	6 Sha	are			
Crop	Base Acres	2	014	2015		PLC Pa 2016		ayment 2017		2018			NPV	
Wheat_Winter	1	\$	-	\$	19	\$	44	\$	17	\$	-	\$	73	
Totals		\$		5	19	\$	44	\$	17	\$	- 1			
To	otal Discounted	PLC Par	ment @	5% Dis	scount Ra	te		5				77)	73	

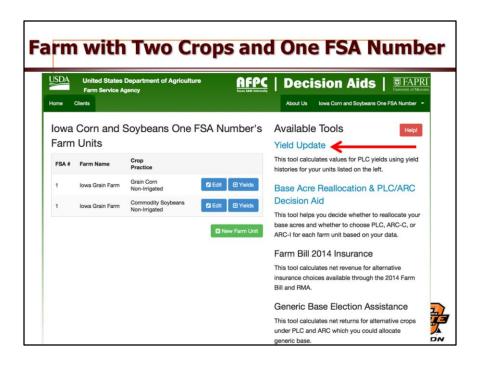


SCO **Supplemental Coverage Option Calculations** 2014 Price 2015 Price 2016 Price 2017 Price 2018 Price Crop Wheat_Winte Coverage SCO Yield Max SCO Level SCO Yield Coverage Crop SCO Premium | Level | SCO Yield | Coverage | multiplier | 75% | 33.2 | 86% | 100% | Wheat_Winter 2014 2018 Wheat_Winter \$ Projected Harvest Price 2015 2016 2017 5.00 \$ 4.20 \$ 5.00 \$ 2014 2018 Wheat_Winter \$ Expected SCO Payments Net of Premiums 100% Share Net Present 2015 2016 2017 Wheat_Winter \$ 3 \$ (5) \$ (10 3 \$ (5) \$ (5) \$

NAAFP Decision Tool (A&M/FAPRI)

Where do I find this decision tool?

https://usda.afpc.tamu.edu/



Reasons to use the NAAFP Tool

- It is a very powerful tool for estimating program coverage
- Saves farm data in one place for easy access across devices
- Crop insurance tool
- Can work on clients farms
- ■Will print out FSA forms for enrollment



NCPE Decision Tool (Illinois)

Where do I find this decision tool?

http://fsa.usapas.com/



Reasons to use the NCPE Tool

- ■Simple yield and base reallocation tools
- Great charts that compare program payments
- ■I find it simpler to use than the NAAFP tool



General thoughts...

- Is your enrollment in ARC or PLC covering enough of your risk?
- What is your underlying insurance coverage and will it allow you to survive crop disasters
- The only wrong decision is not having a risk management plan



Things to consider...

- Talk with your insurance agent about your crop insurance coverage (enterprise units can provide a high level of coverage)
- How do you account for losses in yield if you are enrolled in PLC?
- What strategies will help you mitigate large decreases in price if you are enrolled in ARC?
- Do not stress over these decisions, you have managed risk before.



References

- Price Loss Coverage/Agriculture Risk Coverage
- (http://www.fsa.usda.gov/programs-andservices/arcplc_program/index)
- OSU Farm Bill Decision Tool
- (http://agecon.okstate.edu/agpolicy/farmbill.asp)
- University of Illinois at Urbana-Champaign farmdoc Farm Bill Toolbox
- (http://farmbilltoolbox.farmdoc.illinois.edu/)
- USDA Decision Aids Texas A&M University and the University of Missouri
- (https://usda.afpc.tamu.edu/)