



**THE OHIO STATE UNIVERSITY**

COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

### **Hardin County Extension News Release**

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## **Farm Bill Updates Set for December & January**

*Hardin County* – Two Farm Bill Update meetings have been scheduled for Hardin County farmers to help them understand their options for the new Food, Farm and Jobs Bill that was passed with the Agricultural Act of 2014. Both meetings will present the same content, but will be held on two different days. The first meeting will be held Thursday, December 18 and the second meeting will be held Wednesday, January 7. Both meetings will be from 6:30-9:00 pm in Veterans' Hall at the Hardin County Courthouse, One Courthouse Square, Kenton.

Hardin County Farm Service Agency (FSA) Director Doug Dyer will discuss program parameters, rules, deadlines, and processes. OSU Extension Educators Sam Custer, Darke County and Amanda Douridas, Union/Champaign Counties, will share risk management relevant to the farm bill decisions, and demonstrate the farm bill calculators that will help producers determine which options are best for their operations.

Farmers will need to sign up for the new Farm Bill Programs this coming winter. Understanding new terms and calculations of the programs will assist in the decision process. An important component of the Farm Bill is the market year average price.

The 2014 Farm Bill uses a market year average price for calculating the revenue guarantee for both the individual and county Agriculture Risk Coverage (ARC-CO) programs.

Additionally, the market year average price is used to determine the actual crop revenue for ARC-CO and the price used in calculating potential Price Loss Coverage (PLC) payments.

It is important that producers understand how this number is derived since it will determine the amount of program payments. Chris Bruynis, Ross County Extension Agriculture Educator, has prepared the following discussion as explanation of the market year average price.

The market year average is the national average price received by producers during the 12-month marketing year. The marketing year is different for each crop.

The marketing year for wheat is June 1 to May 31 while the marketing year for corn and soybean are both September 1 to August 31. USDA determines the market year average price for each commodity using a National Agricultural Statistics Service (NASS) survey of commodity buyers.

This monthly price survey uses data from more than 2,000 buyers nationwide to determine the monthly average price. These prices are weighted across the United States each month and for the 12 month marketing period for the crop.

More specifically buyers are asked for the total number of bushels purchased of each commodity and the total dollars paid for those bushels. NASS divides the total dollars paid by the total quantity purchased to determine the average price for the month.

These average prices are then weighted by month to reflect the percent of crop sold that month. An example would be that if 20% of all corn was delivered in November then the November average price would make up 20% of the market year average price.

Additionally there are some definitions used by NASS that helps understand the calculation of the market year average price:

- Point of Sale is when the buyer takes ownership of the grain and payment is made.
- Commodity quantities are on dry or shrink basis and based on standard moisture.
- Forward contracts and deferred payment contracts are reported in the month the purchaser takes ownership.
- Basis, minimum price, and options are reported the month the grain is delivered.
- Delayed pricing will have the price determined in the month when the price is determined.
- Pooled grain is reported in the month when the major portion of payment is made.

For example the following is how the market year average price is used in ARC-CO. The county benchmark revenue is the 5 year Olympic average of the higher of market year average price or the reference price times the 5 year Olympic average of the higher of historical county yield or 70% of the county transitional yield.

Basically the market year average price is the price side of the revenue unless it would fall below the reference price, which is \$3.70 for corn. Secondly the market year average price is used to calculate the current year actual crop revenue. This calculation is the actual average county yield times higher of the market year average price or national loan rate (about \$1.95 for corn).

For the PLC program the market year average price is compared to the reference price. Soybeans have a reference price of \$8.40 and if the market year average is above the reference price, there is no payment.

If the market year average price is below the \$8.40 reference price and above the national loan rate, there would be a payment for the difference between those prices on the program acres and program yields.

Since the market year average price is used in calculating program payments for all three new farm bill programs offered to crop producers, it is critical for producers to understand how it is calculated.

Improper assumptions on how this number is calculated can affect estimated program payments and potentially effect program choice. Having the correct understanding of the market year average price will allow producers to make a better decision on which program choice is best for their farm business. (Lentz, 2014)

Farmers planning to attend a Hardin County Farm Bill Update meeting are asked to arrive at 6:15 pm. There is no cost or pre-registration required to participate in the Farm Bill Update meetings. For more information and resources regarding the 2014 Farm Bill Update meetings, producers can go to [go.osu.edu/farmbill](http://go.osu.edu/farmbill). They may also call their local Farm Service Agency office at (419) 673-0456 extension 2 or OSU Extension at 419-674-2297.