

Farm Program Payments Revisited: Farmers May Choose Between County of Administration or Geographic County Location.

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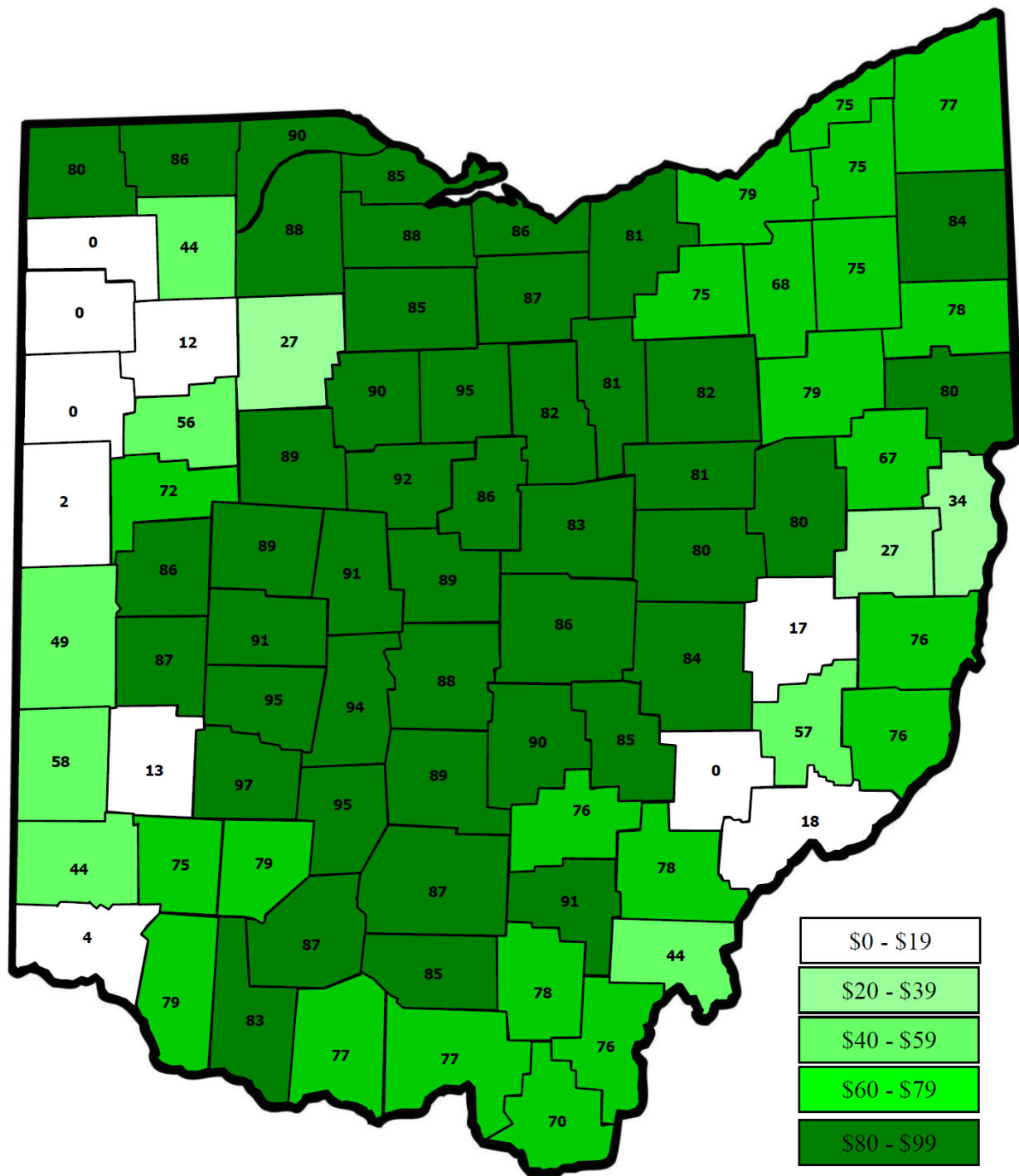
Farmers with the administration of their farms consolidated at one FSA office may want to examine their 2014 and 2015 ARC-CO payment calculations. Original 2014 ARC-CO payments were calculated on the average yields for the administrative FSA office county, regardless of where the land was physically located. Recently FSA announced that farmers could elect to have the 2014 and/or the 2015 ARC-CO payments calculated on the county in which the land is physically located. For some farms this would be financially beneficial and needs to be requested by April 15, 2016. FSA has calculated the results for the 2014 payments and for the farms where this election is beneficial, farmers simply need to sign the forms at their local FSA office. This will only affect farmers with land in more than one county.

I have created some visual maps for farmers to reference for the 2014 payments received in October of 2015. These maps give a quick visual for ARC-CO corn, soybean, and wheat payments by county with payments rounded to the nearest dollar. Farmers can quickly look to see if the land in a neighboring county, that is not their administrative county, had a significantly different payment. Based on this information, they can decide if they want to elect to be paid based on the farm land's county. For 2014 this decision is very easy since payment rates are known (check with your local FSA office to determine exact payment changes). Here is an example.

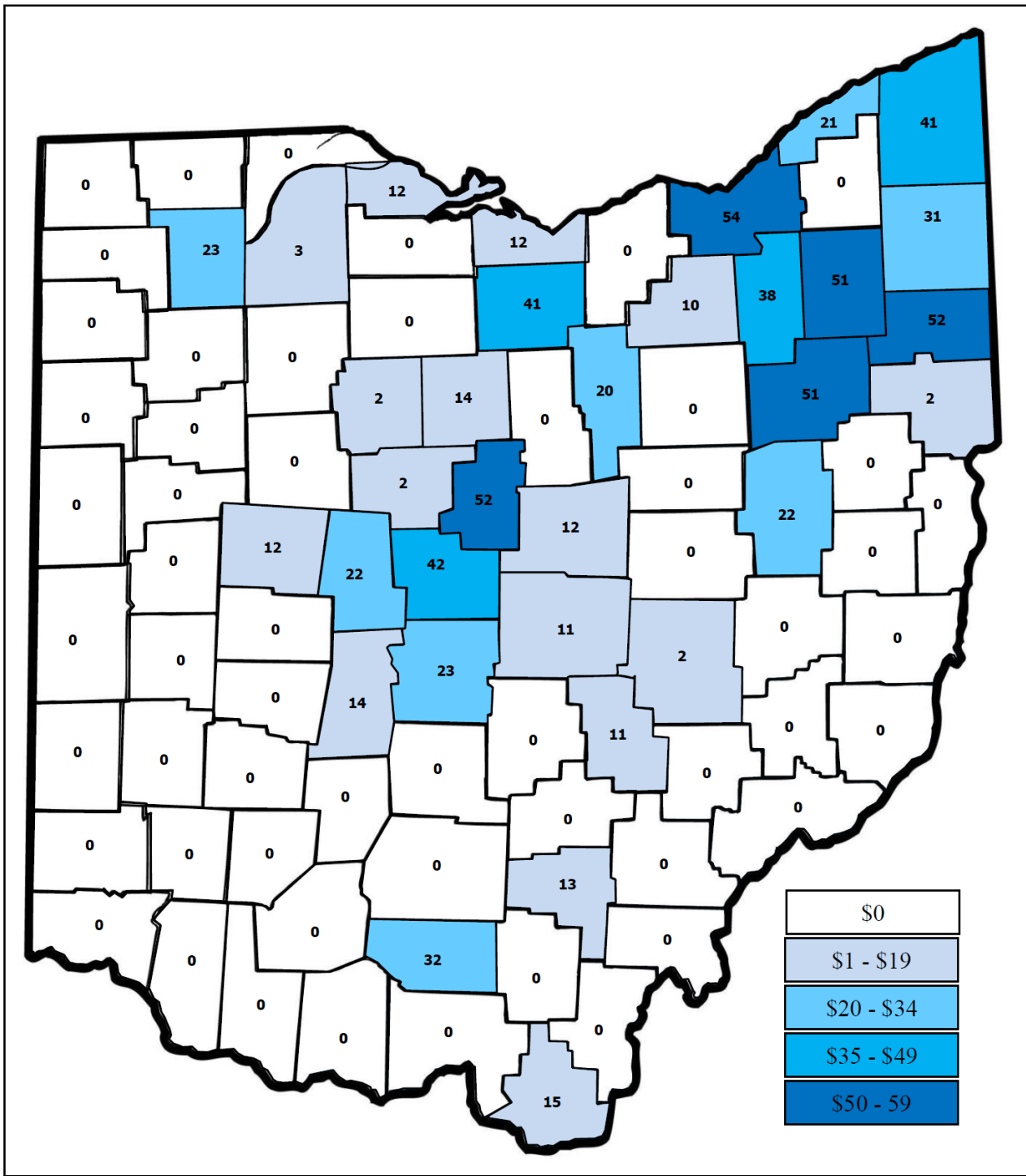
Example 1: Fisher Farms have land in Ross and Pike Counties. Their original 2014 ARC-CO payment which was received in October 2015 was based on Ross County payment rates. They can now elect to have the land in Pike County be based on Pike County payment rates. Examining the maps below, he would give up \$2 per acre on the corn base but gain \$32 per acre on the soybean base. There was no payment in either county for wheat base acres. Depending on the number of base acres of corn and soybeans, this could be a beneficial decision to make.

The prices listed on the maps for both 2014 and 2015 are estimated for the actual payment rate per acre. However, if farmers want to estimate ARC-CO payments for their farm, they would need to make two adjustments. First the program pays on 85% of the base acres, one would need to multiply the amount by 85% to adjust for this reduction. Secondly there would need to be an adjustment for sequestration created by congress. In 2014 it sequestration equaled a 6.8% reduction and is anticipated to be a 7.3 percent reduction for 2015. Example: Farm payment, based on the maps, would be \$1000. Eighty-five percent of this would be \$850. Subtracting the sequestration amount of 6.8% would leave an estimated payment of \$792. I would exercise caution in using the calculated amount as a guarantee income for 2016, but it would provide a close estimation if all the assumptions hold true in this example.

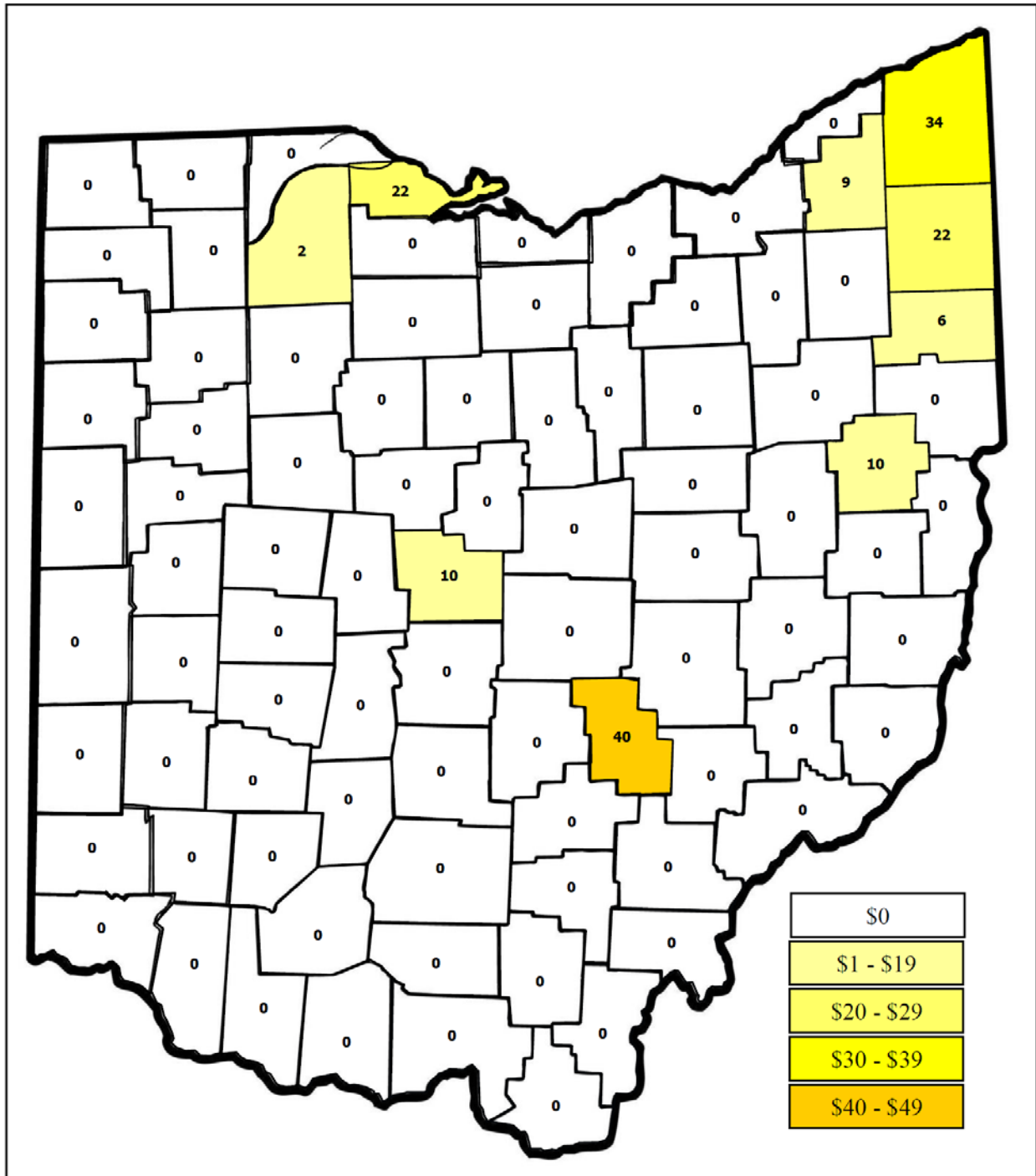
**2014 ARC-CO CORN Payments
Received October 2015**



***2014 ARC-CO SOYBEAN Payments
Received October 2015***



**2014 ARC-CO WHEAT Payments
Received October 2015**



The decision for the 2015 crop year is a little more challenging since all the data is currently not available. I have estimated the payments for the three main Ohio crops based on National Agricultural Statistics Service (NASS) yield data from 2015. This will be a close estimation; however, historically FSA yields run a few bushels per acre less. In reality, using a slightly higher yield will overestimate the 2015 crop revenue, and underestimate the potential ARC-CO payments. The other piece of information that is necessary to properly calculate the 2015 ARC-CO payments in the 2015 Market Year Average (MYA) price for each crop. Farm Services Agency releases an estimation of the MYA prices each month and the February 9th release has \$3.60 corn, \$8.80 soybeans, and \$5.00 wheat. At the current estimated corn and soybean MYA, most counties will come close to reaching maximum ARC-CO payments, so I also included (in parentheses) estimated payments for \$3.80 MYA corn and \$9.20 MYA soybean prices. With the higher MYA prices, actual farm revenue increased, lowering the ARC-CO payments in several counties. ARC-CO estimated payments for counties with only one number listed were unaffected by the change in MYA prices. Here are couple examples using the maps below.

Example 2: Estadt Farms have land in both Ross and Pickaway Counties and they have Ross County FSA office as their administrative county. If they elect to have the ARC-CO payments for land in Pickaway County based on the Pickaway County's revenue guarantee, crop yields, etc. for 2015, they would gain \$12 per corn base acre, \$58 per soybean base acre, and \$29 per wheat base acre. However, if Pickaway was their administrative county, they would not want to elect to have their Ross County land ARC-CO payments based on Ross County.

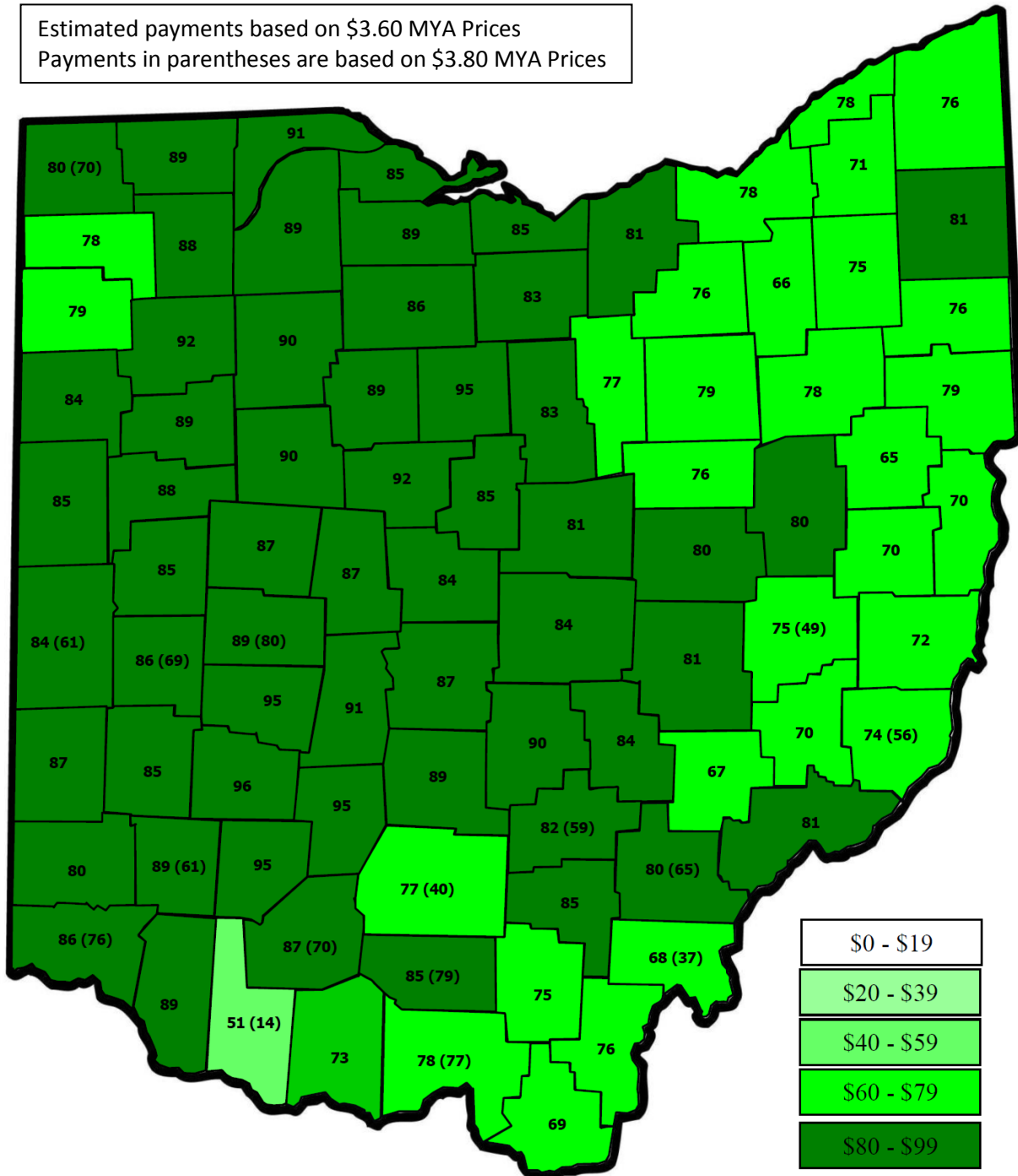
Example 3: Londo farms have land in both Marion and Union Counties and have Marion County FSA as their administrative office. They need to determine if electing to have the Union County land ARC-CO payments based on Union County data would be beneficial. Looking at the maps and using the current MYA price estimates, they would lose \$5 per corn base acre, lose \$20 per soybean base acre, and gain \$23 per wheat base acre (assuming all three crops were enrolled in ARC-CO). In this example, there would need to be significant wheat base acres to even consider making the change. If the farm was administered in Union County, having the Marion County land ARC-CO payments based on Marion County data would be quite advantageous.

Farmers with land in more than one county have until April 15th to make the independent decisions for 2014 and 2015's ARC-CO payments. This does not affect farms enrolled in ARC-Individual or the PLC program. The 2015 estimates are based on current best information provided by Farm Services Agency and the National Agricultural Statistics Service. These numbers can change in the coming months and these are provided as a guide. Please use your own judgement and assumptions when making the determination for the 2015 ARC-CO payment county decision.

For the remaining years of this Farm Program (2016-2018), farmers will need to separate land in different counties into their own farm number if they want to capture the different payment calculations. The deadline to make that change will be later this fall. Additional information regarding that selection will be released later in the summer.

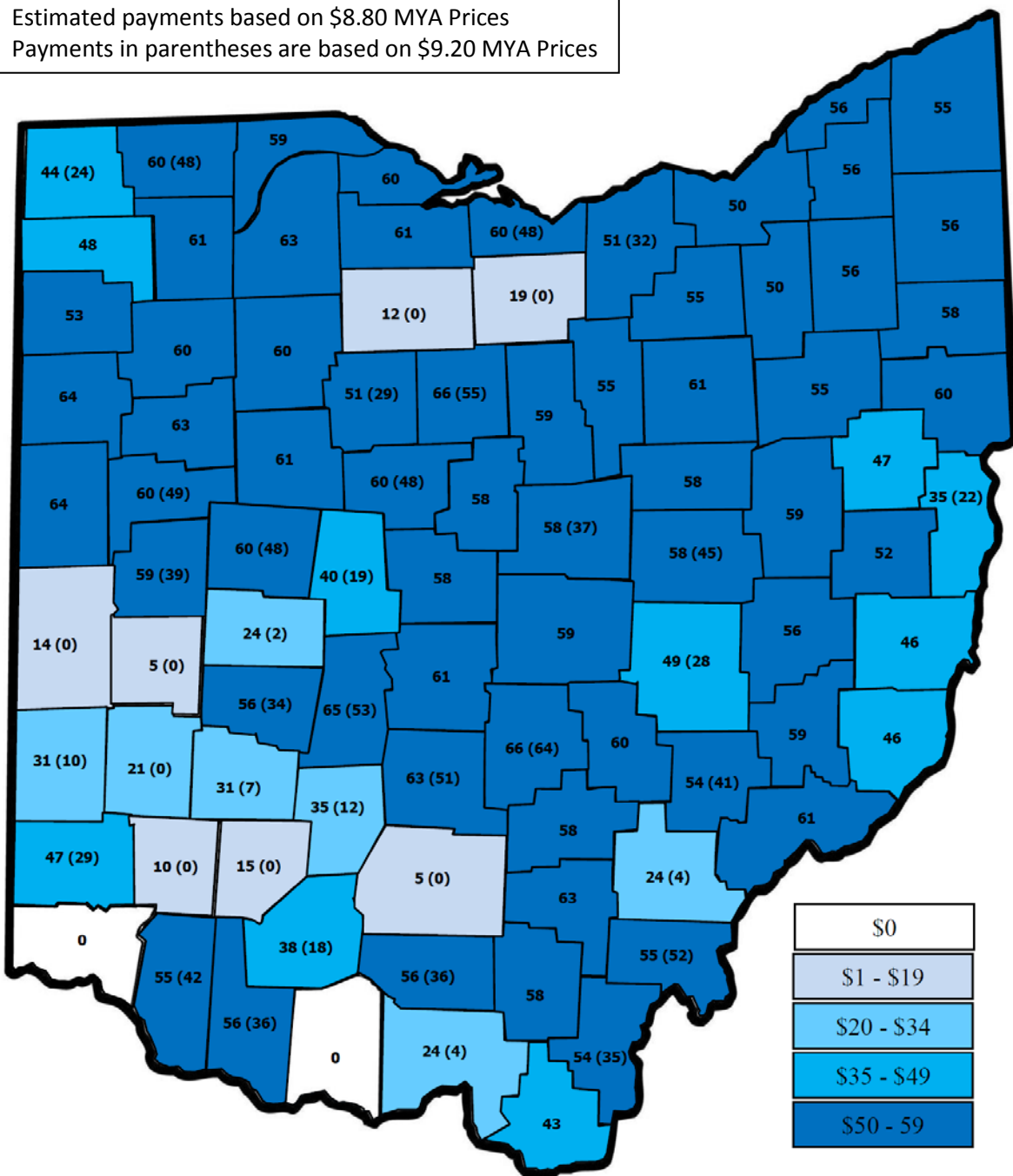
Estimated 2015 ARC-CO CORN Payments Distributed in October 2016

Estimated payments based on \$3.60 MYA Prices
Payments in parentheses are based on \$3.80 MYA Prices



***Estimated 2015 ARC-CO SOYBEAN Payments
Distributed October 2016***

Estimated payments based on \$8.80 MYA Prices
Payments in parentheses are based on \$9.20 MYA Prices



***Estimated 2015 ARC-CO WHEAT Payments
Distributed October 2015***

Estimated payments based on \$5.00 MYA Prices

