AGRICULTURAL ACT of 2014

“It’s like a Swiss Army knife.”

Wes Harris

2014 – 2018
$490,653

- Commodities: $390,650
- Conservation: $28,165
- Nutrition: $23,556
- Crop Insurance: $6,862
- Remaining: $41,420
Repealed or Discontinued

• Direct Payments (DCP)
• Counter-Cyclical Payments (DCP)
• Average Crop Revenue Election (ACRE)
• Supplemental Revenue Assistance Payments (SURE – crop disaster)

ELECTION REQUIRED

- For the 2014 - 2018 crop years, all of the producers on a farm shall make a 1-time, unanimous irrevocable election to obtain:
  • Price loss coverage (PLC) on a covered commodity-by-covered-commodity basis  
  or  
  • Agriculture risk coverage (ARC) based on:
    – County coverage applicable on a covered commodity-by-covered-commodity basis  
    or  
    – Individual coverage applicable to all of the covered commodities on the farm
Definitions

• Generic Base Acres:
  – Number of cotton base acres recognized by the 2008 Farm Bill

• Base Acres:
  – Number of covered commodity base acres on file by 2008 Farm Bill (subject to reallocation)
  – any generic base acres planted to a covered commodity

• Covered Commodities:
  – wheat, oats, barley (haying and grazing), corn, grain sorghum, rice, soybeans, other oil seeds, and peanuts

Reference Prices

- Peanuts $535.00 /ton
- Corn $3.70 /bu
- Soybeans $8.40 /bu
- Wheat $5.50 /bu
- Grain sorghum $3.95 /bu
- Barley $4.95 /bu
- Oats $2.40 /bu
- Rice $14.00 /cwt
- Other oilseeds $20.15 /cwt
Reallocation of Base Acres

- Retain base acres or reallocate base acres other than any generic base acres
- One time option and all owners agree
- Farm base in proportion to the ratio of the 4-year average of the acreage planted to each covered commodity for the 2009 through 2012 crop years (and prevented plantings) to the 4-year average of total acreage planted (and prevented planting)

Reallocation Example

<table>
<thead>
<tr>
<th>Year</th>
<th>Peanuts</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Planted Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>30</td>
<td>10</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>2010</td>
<td></td>
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<tr>
<td>2011</td>
<td>40</td>
<td></td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>2012</td>
<td>50</td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Average</td>
<td>40</td>
<td>2.5</td>
<td>2.5</td>
<td>45</td>
</tr>
</tbody>
</table>
**Reallocation Example**

- **2008 Base (100 acres):**
  - Cotton (generic) 60 acres
  - Peanuts 30 acres
  - Soybeans 5 acres
  - Corn 5 acres
  - Total covered acres **40 acres**

- **New Base:**
  - Peanuts => \( \frac{40}{45} \times 40 = 35.6 \) acres
  - Corn => \( \frac{2.5}{45} \times 40 = 2.2 \) acres
  - Soybeans => \( \frac{2.5}{45} \times 40 = 2.2 \) acres
  - Total => \( \frac{2.5}{45} \times 40 = 40.0 \) acres

*New Base Total must equal old Base Total Covered Acres*

**Updating Payment Yields**

- **One time, 2014, commodity by commodity for Price Loss Coverage (PLC) – or CCP yields**

- **Calculation:**
  - **90%** of average yield per planted acre for covered commodity from 2008 - 2012 crop years,
  - *excluding any year with no acreage*
### Payment Yield Update  
**(PLC Program Election)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Peanuts</th>
<th>Corn</th>
<th>Soybeans</th>
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<tbody>
<tr>
<td>2008</td>
<td>185</td>
<td>33</td>
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<tr>
<td>2009</td>
<td>3450</td>
<td>178</td>
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<tr>
<td>2010</td>
<td>190</td>
<td>28</td>
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<tr>
<td>2011</td>
<td>165</td>
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<tr>
<td>2012</td>
<td>3900</td>
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<td>35</td>
</tr>
<tr>
<td>90% AVG</td>
<td>3308</td>
<td>165</td>
<td>29</td>
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</table>

### Payment Acres

- For **PLC** and **ARC** (county) - payment acres for each covered commodity on a farm shall be equal to **85 percent of the base acres** for the covered commodity on the farm.
- For individual ARC: payment acres = **65%**
GENERIC BASE ACRES

- Price loss coverage (PLC) payments and agriculture risk coverage (ARC) payments can be made to **generic base acres that are planted to a covered commodity**
  - If a single crop is planted and the acreage planted exceeds the generic base acres, attribution is to the total number of generic base acres
  - If multiple crops are planted and the acres exceeds the generic base, the generic base acres reflect the ratio of the acreage planted to a crop; to the total acreage planted
  - If planted acres does not exceed the generic base acres, the number of acres planted is attributed to that crop

GENERIC BASE ACRES

- When generic base acres are planted to a covered commodity or acreage planted to a covered commodity is attributed to generic base acres, the generic base acres are **in addition to other base acres** on the farm
- FSA will apply your planted acres of covered commodities directly to the available generic base acres when you certify irrespective of any covered commodity base on the farm
**Price Loss Coverage – PLC (H)**

- When the **effective price** for the covered commodity is less than the **reference price** for the crop year.
- The **effective price** for a covered commodity for a crop year shall be the higher of:
  - National avg market price (12-month marketing year)
  - the national avg loan rate (marketing assistance loan)
- **Payment Rate** = (reference price – effective price)
- **Payment** = PR * Payment Acres * Payment Yield
  - October 1 payment date of the following crop year

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**AGRICULTURE RISK COVERAGE PAYMENTS (ARC) (S)**

- If producers on a farm elect to obtain agriculture risk coverage, payments for 2014 - 2018 crop years if:
  - the actual crop revenue determined under for the crop year; is less than the ARC guarantee for the crop year
- **Actual Crop Revenue**
  - County coverage: the amount of the actual crop revenue for a county is equal to the product obtained by multiplying:
    - the actual average county yield per planted acre and
    - the higher of:
      - the national average market price (12-mo marketing year)
      - the national average loan rate (marketing assistance loan)
ARC GUARANTEE

• The agriculture risk coverage guarantee for a crop year for a covered commodity is equal to **86% of the benchmark revenue**

• Benchmark Revenue For County Coverage
  – The benchmark revenue is the product of:
    ✓ the *olympic average county yield* for the last 5 crop years *and* the *olympic national average market price* for the last 5 crop years

  ✷ USDA to calculate separate actual crop revenue and ARC guarantee for *irrigated* and *nonirrigated*

ARC Individual Coverage

• The amount of the actual crop revenue (ACR) for each crop, the product of:
  – the total production *and*
  – the higher of: the national average market price *or*
    the national average loan rate

• The sum of the revenues for all crops on the farm divided by the total planted acres of all covered commodities = ACR
**Benchmark Revenue For Individual Coverage**

- For each covered commodity for each of the most recent 5 crop years, the product obtained by multiplying:
  - the yield per planted acre for the covered commodity on such farms, **and**
  - the national average market price for the marketing year
- The olympic average is determined for the revenues
- For 2014 - 2018 crop years, the sum of the revenues for all crops, but **adjusted** to reflect the ratio between the total number of acres planted to a crop and the total acres of all crops planted on farm

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**Benchmark Revenue For Individual Coverage**

- If the yield per planted acre or the historical county yield per planted acre for any of the 5 most recent crop years is less than 70% the T yield, the amounts used for any of those years shall be 70% of the T yield
- If the national average market price marketing year for any of the 5 most recent crop years is lower than the reference price; the reference price will be used
ARC Payment

• The payment rate for *county coverage*, or individual coverage, is equal to the lesser of:
  – the amount the agriculture risk coverage guarantee *exceeds* the actual crop revenue *or 10 percent of the benchmark revenue*

• If agriculture risk coverage payments are triggered, payment is determined by multiplying:
  – the payment rate determined *and*
  – the payment acres *(85% {or 65%} of base + generic planted)*

October 1st of following crop year

ARC vs PLC

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Reference Price</th>
<th>2014 Projected</th>
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<tbody>
<tr>
<td>Peanuts</td>
<td>$535.00/ton</td>
<td>$450/ton*</td>
</tr>
<tr>
<td>Corn</td>
<td>$3.70/bu</td>
<td>$4.50/bu</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40/bu</td>
<td>$12.70/bu</td>
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<tr>
<td>Wheat</td>
<td>$5.50/bu</td>
<td>$6.80/bu</td>
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*Speculation at best*
PLC Price Sensitivity for Peanuts

<table>
<thead>
<tr>
<th>Average Year Market Price per ton</th>
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Effects of Updating Yields - Peanut PLC

AMY Price = $460

<table>
<thead>
<tr>
<th>PLC Yield lbs/ac</th>
<th>Total per Payment Acre</th>
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<tbody>
<tr>
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<td>2900</td>
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<td>3500</td>
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</table>

W. Harris
### ARC Possible 2014*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Avg Price $/bu</th>
<th>Avg Yield bu/ac</th>
<th>$86% Benchmark</th>
<th>Proj Price</th>
<th>Proj Revenue</th>
<th>ARC Pay Rate</th>
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<tbody>
<tr>
<td>Corn</td>
<td>$5.27</td>
<td>151.6</td>
<td>$687</td>
<td>$4.50</td>
<td>$682</td>
<td>$5.00</td>
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<tr>
<td>Soybean</td>
<td>$12.10</td>
<td>32.0</td>
<td>$333</td>
<td>$12.70</td>
<td>$406</td>
<td>0</td>
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<tr>
<td>Wheat</td>
<td>$6.58</td>
<td>48.7</td>
<td>$275</td>
<td>$6.80</td>
<td>$331</td>
<td>0</td>
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<tr>
<td>Peanuts</td>
<td>$540/ton</td>
<td>1.75 t/ac</td>
<td>$809</td>
<td>$460</td>
<td>$805</td>
<td>$4.00</td>
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*All prices and yields are estimates only

### Provisional Caveats

- The following series of ARC charts are based on yields provided by NASS for the East Central District of Georgia. Prices for the yield function are derived from the current WASDE projected price. **These charts are for illustrative example purposes only.**
ARC Price Function - Corn 2014 SE GA

PLC Reference Price = $3.70

ARC Pay Rate

ARC Yield - Corn @ $4.50 Price SE GA

ARC Pay Rate
ARC Price Function - Wheat 2014

PLC Reference price = $5.50

ARC Yield - Wheat @ $6.80 SE GA
Transition Assistance - Cotton

- For 2014, transition assistance to producers with cotton base acres as of 2013 crop year
- For 2015, transition assistance provided to producers for farms with cotton base acres as of 2013 and farm in a county not yet covered by the Stacked Income Protection Plan (STAX) for the 2015 crop year
  - Pay after October 1 of the calendar year which upland cotton is harvested
  - Separate $40,000 payment limit

Transition Assistance Rate (TAR)

- Obtained by multiplying:
  - June 12, 2013, midpoint estimate for the market year avg price of cotton for market year beginning August 1, 2013, minus the December 10, 2013, midpoint estimate, and
  - The national program yield of 597 pounds per acre
- The amount of transition assistance is obtained by multiplying:
  - 2014: 60%, 2015: 36.5% => of the cotton base and
  - The TAR for the appropriate year and
  - The payment yield (Direct Payment) divided by the national program yield (597 lbs/ac)
Example Transition Payment

- 2014 => 100 acre base with DP yield 685 lbs/ac
  - June 12, 2013 midpoint price: $0.83
  - Dec 12, 2013 midpoint price: $0.74
- Transition assistance rate (TAR) =
  \[(June – Dec) \times \text{national avg yield} \]
  \[= ($0.83 - $0.74) \times 597 = $53.73 \text{ per acre} \]
- Transition payment:
  \[= \text{TAR} \times (\text{DP yield}/\text{Nat yield}) \times \text{Base acres} \times 60\% \]
  \[= $53.73 \times (685/597) \times 100 \times 0.60 = $3,699 \]
- Under old DCP, the direct payment would be:
  \[= 0.0667 \times 685 \times 100 \times 0.85 = $3,884 \]

Marketing Loans

- Same as old loan program – non-recourse with LDPs & MLGs
- Cotton $0.45 to $0.52 (Average of AWP for previous 2 years)

- PEANUTS
  - Designated marketing association or marketing cooperative
  - On the approval to provide storage the individual or entity
    agrees to provide the storage on a nondiscriminatory basis
  - USDA will pay handling and associated costs (no storage
    costs) incurred when the peanuts are placed under loan
  - USDA will require the repayment of handling and associated
    costs paid for all peanuts that are redeemed; and pay
    storage, handling, and other associated costs for all peanuts
    pledged as collateral that are forfeited
Disaster Programs
Supplemental Agricultural Disaster Assistance (SADA)

• Livestock Indemnity Payments
  – 75 percent of the market value of the applicable livestock on the day before demise

• Livestock Forage Disaster Program
  – Each month equal to 60 % of monthly feed cost
    • D2 for 8 weeks = 1 month
    • D3 at any time = 3 months
    • D3 for 4 weeks or D4 at anytime = 4 months
    • D4 for 4 weeks = 5 months

• ELAP and TAP

• Payment limits: $125,000 annual

Payment Limitations

• The total amount payments received, directly or indirectly, by a person or legal entity (except a joint venture or general partnership) for any crop year for PLC, ARC, and as marketing loan gains or loan deficiency payments may not exceed $125,000

• Total of payments received, directly or indirectly, by a person or legal entity (except a joint venture or general partnership) for any year for PLC, ARC, and as marketing loan gains or loan deficiency payments for peanuts may not exceed $125,000
Actively Engaged

• Within 180 days the Secretary shall promulgate, with an opportunity for notice and comment, regulations—
  – to define the term “significant contribution of active personal management” to establish limits for varying types of farming operations on the number of individuals who may be considered to be actively engaged in farming with respect to the farming operation
• When a significant contribution of active personal management is the basis used to meet the requirement of being actively engaged in farming the Secretary shall consider:
  – The size, nature, and management requirements of each type of farming operation
  – The changing nature of active personal management due to advancements of farming operations
  – the degree to which the regulations promulgated will adversely impact the long-term viability of the farming operation
• USDA will not apply the regulations promulgated to individuals or entities comprised solely of family members

AGI Payment Limitation

• A person or legal entity shall not be eligible to receive any benefit during a crop, fiscal, or program year, if the average adjusted gross income of the person or legal entity exceeds $900,000
• The term ‘average adjusted gross income’, means the average of the adjusted gross income of the person or legal entity over the 3 past years before the immediately preceding complete taxable year
2015 New Crop Insurance

• Expanded crop insurance
  – Supplemental Coverage Option – SCO (PLC)
    • 65% premium subsidy – County Coverage
  – Stacked Income Protection Plan – STAX  cotton only
    • 80% premium subsidy – County Coverage
  – CRC for peanuts
  – Enterprise option for irrigated and nonirrigated
  – Margin insurance ???

Supplemental Coverage Option (SCO)

• Supplemental coverage on top of individual indemnity product with coverage based on an area yield and loss basis to cover part of the deductible under the individual yield and loss policy
• Except as provided, the level of coverage:
  – Will be dollar denominated and
  – May be purchased at any level not to exceed 85% of the individual yield or 95% of the area yield
• RMA will provide information on catastrophic risk and SCO coverage within allowable limits
SCO

• Offer producers to purchase coverage in combination with a policy or plan of insurance that allows indemnities to be paid equal to a part of the deductible under the policy or plan of insurance:
  – At a county-wide level; or
  – On the basis of such larger geographical area to provide sufficient data for purposes of providing the coverage
• Coverage offered will be triggered only if the losses in the area exceed 14 percent of normal levels
• The coverage offered will not exceed the difference of:
  – 86 percent; and
  – The coverage level for the underlying policy or plan of insurance
• Crops under agriculture risk coverage (ARC) and acres enrolled in the stacked income protection (STAX) plan are not eligible

STACKED INCOME PROTECTION PLAN – STAX (UPLAND COTTON)

• In 2015 producers of upland cotton will have an additional policy consistent with the Group Risk Income Protection Plan offered in 2011
• STAX will:
  – Provide coverage for revenue loss of not less than 10 percent and not more than 30% of expected county revenue, by increments of 5%
  – Deductible is the minimum percent of revenue loss at which indemnities are triggered, not less than 10% of the expected county revenue
STAX cont.

- Be offered in all counties with upland cotton production at a county-wide level or on the basis of a larger geographical area.
- Be purchased in addition to other coverage in effect or as a stand-alone policy, except that if a producer has an individual or area coverage for the same acreage, the maximum coverage under STAX will not exceed the deductible for the individual or area coverage.

Coverage is based on:

- The expected price under existing GRIP for the applicable county (or area) and crop year; and
- An expected county yield that is the higher of:
  - The expected county yield as determined or
  - The Olympic average of the yield data for the county/area for the most recent 5 years, from RMA/NASS.

STAX

- Use a multiplier factor to establish maximum protection per acre of not less than the higher of the level established on a program wide basis or 120 percent.
- Pay an indemnity based on the amount that the expected county revenue exceeds the actual county revenue, as applied to the individual coverage of the producer.
- Indemnities under the STAX will not include or overlap amount of the deductible selected in primary coverage.
- Counties with data will establish coverage levels for irrigated and non-irrigated practices.
B.L.U.F.

- Risk Program Election: PLC or ARC
  - Price Loss Coverage (PLC) by farm & crop
    - Yield Update, and SCO Coverage
    - Peanuts
  - Agriculture Risk Coverage (ARC) by farm & crop
    - No SCO, and NO yield update
    - Individual ARC – all crops on the farm are enrolled (no)
    - Conditionally: Corn, Soybeans, Wheat
  - Base Reallocation for any farm
  - Generic Base planting decisions
  - Cotton Transition Payment 2014
  - 2015 Crop Insurance Changes
  - **Sign up timing** – early to late fall
<table>
<thead>
<tr>
<th>Market Year Avg Price</th>
<th>Farmer Sales Price $400</th>
<th>Farmer Sales Price $400</th>
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<tbody>
<tr>
<td></td>
<td>Payment Yield: 3,500</td>
<td>Payment Yield: 3,000</td>
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<tr>
<td>4000 lb yield</td>
<td>3500 lb yield</td>
<td>3000 lb yield</td>
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<td>Per ton</td>
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<tr>
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**Peanut PLC Revenue at $400 Sell Price and 3,500 lb Pay Yield**

- 4,000 lb yld
- 3,500 lb yld
- 3,000 lb yld

**Average Market Year Price**

- $400
- $500
- $600
- $700
- $800
- $900
- $1,000
- $1,100
Representative Farm

- 250 Cultivated Acres with base:
  - 150 acres cotton/generic (700 lb CCP yield)
  - 50 acres peanut (2,900 lb CCP yield)
  - 30 acres corn
  - 20 acres soybeans

- Covered planting history:

<table>
<thead>
<tr>
<th>Year</th>
<th>Peanut</th>
<th>Corn</th>
<th>Beans</th>
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<td>4100</td>
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</tbody>
</table>

Rep Farm 2014 Scenario

- Elect:
  - PLC: peanuts
  - ARC: all other crops (covered commodities)

- Cotton transition payment:
  - TAR X (CCP yield/Nat yield) X Base acres X 60%
  - $53.73 X (700/597) X 150 X 0.60 = $5,670
    - Paid after October 1, 2014

- Reallocate base
- Update peanut yield (PLC)
## Base Reallocation

<table>
<thead>
<tr>
<th>Year</th>
<th>Peanuts</th>
<th>Corn</th>
<th>Beans</th>
<th>Other</th>
<th>Total Planted Acres</th>
<th>Covered Commodity</th>
<th>Base Acres</th>
<th>New Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>72</td>
<td>30</td>
<td></td>
<td></td>
<td>102</td>
<td>Peanuts</td>
<td>50</td>
<td>79.3</td>
</tr>
<tr>
<td>2010</td>
<td>84</td>
<td></td>
<td></td>
<td></td>
<td>84</td>
<td>Corn</td>
<td>30</td>
<td>15.5</td>
</tr>
<tr>
<td>2011</td>
<td>69</td>
<td>30</td>
<td></td>
<td></td>
<td>99</td>
<td>Soybeans</td>
<td>20</td>
<td>5.2</td>
</tr>
<tr>
<td>2012</td>
<td>82</td>
<td>20</td>
<td></td>
<td></td>
<td>102</td>
<td>Other</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Average</td>
<td>77</td>
<td>15</td>
<td>5</td>
<td>0</td>
<td>97</td>
<td>Covered Acres</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

## Payment Yield Update

### (PLC Program Election)

<table>
<thead>
<tr>
<th>Year</th>
<th>Peanut Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3250</td>
</tr>
<tr>
<td>2009</td>
<td>3175</td>
</tr>
<tr>
<td>2010</td>
<td>3600</td>
</tr>
<tr>
<td>2011</td>
<td>3310</td>
</tr>
<tr>
<td>2012</td>
<td>4100</td>
</tr>
<tr>
<td>90% AVG</td>
<td>3138</td>
</tr>
</tbody>
</table>
Hypothetical 2014 Rep Farm Payments

- Planted acres:
  - **150 acres of generic base**
  - Peanuts: 100 generic base + 79.3 Pnut Base = 179.3 ac
  - Corn: 50 generic base + 15.5 Corn Base = 65.5 ac
  - If MYA price for peanuts = $460 /ton
  - \((535 - 460) \times (179.3 \text{ ac}) \times (3168/2000) \times (0.85) = 18,106\)
  - If MYA price for corn = $4.00 w/ average yield
  - \((80 \text{ pay rate}) \times (65.5 \text{ ac}) \times (0.85) = 4454\)
  - Average yield = 151.6 bu/ac combined irrigated & dryland; will probably be separate

<table>
<thead>
<tr>
<th>2014</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peanut</td>
<td>100</td>
</tr>
<tr>
<td>Corn</td>
<td>50</td>
</tr>
<tr>
<td>Cotton</td>
<td>100</td>
</tr>
</tbody>
</table>

Hypothetical Program Support to Rep Farm

- **Cotton** Transition Payment $ 5,670
- **PLC** Peanut Payment $18,106
- **ARC** Corn Payment $ 4,454
  - Total $28,230

- No ARC trigger expected for beans & wheat