Margin Protection Program (MPP) for Dairy Producers

Tool Release Date: August 28, 2014

DMaP - Dairy Markets and Policy

Livestock Gross Margin-Dairy (LCM-Dairy) insurance program. DMaP has a 30-year history of providing decision aids and producer outreach initiatives related to the dairy industry and dairy farms. DMaP partners with NCREEP to provide the lead role in developing the MPP and LGM-Dairy decision aids.

www.farmdoc.illinois.edu/farmbilltoolbox

1. Outreach
2. ARC / PLC
3. Dairy
4. NAP tool
Partners

• ARC / PLC
  - University of Illinois
  - Watts & Associates
  - The Ohio State University

• NAP
  - Michigan State

• Dairy
  - Program on Dairy Markets (Cornel, MSU, Wisconsin, I Illinois)

• Outreach
  - Montana State
  - Delaware State
  - University of Arkansas at Pine Bluff
  - North Carolina Agricultural and Technical State University
Commodity Program Decisions

Each FSA farm:

1. Programs yields (current or updated)
2. Base acres (Retain or reallocated)
3. For each FSA farm/crop, which program will be used to make payments:
   - Price Loss Coverage (PLC)
   - Agriculture Risk Coverage - County level (ARC - County)
   - Agriculture Risk Coverage - Individual level (ARC - Individual)
     * ARC-individual applies to all crops and all farms in a state
     * SCO not available with ARC

Decision 1 and 2: Now till February 28th
Decision 3: November 17 to March 31 (wait till later)
ARC-PLC Decision Steps

The following 7 steps are designed to help guide you through the decisions required for each FSA farm.

1. Collect information for each FSA farm
2. Determine to keep or update yields
3. Determine to keep or reallocate acres
4. Decide PLC or ARC-County for each crop
5. Will ARC-IC be considered?
6. Will SCO be considered (only if choose PLC)?
7. More info and iterate back
8. Complete forms / other issues

(www.farmbilltoolbox.farmdoc.Illinois.edu)
Sample Farms
APAS analysis done on the typical farm in your county

Custom Farms
Build the specifics of your particular farm into the APAS analysis

Update Payment Yield

Reallocate Base Acres

Dairy

Farm Doc Daily
Anything you would need to know for the 2014 Farm Bill
Update Yields

Minimum Yield Lookup

State: Illinois
County: Champaign
Crop: Corn
Minimum Yield: 121.2 bushels/acre

Historical yields per planted acre

Please enter yields in bushels/acre.

2008: 175
2009: 186
2010: 268
2011: 172
2012: 121.2

Calculate

Updated Payment Yield: 166 bushels/acre
Plugged Yield: 121.2
Determine to Keep or Update Yields

Crop by crop decision

Choice:

- Current Yield: (FSA letter) or
- Updated yield: 90% of 2008-2012 yields, plug yields for low yields

Choose highest yield

Only impacts PLC payments

Consider updating even if not use PLC, yields could “hang around”

Only reason not to choose highest is if its an updated yield and documentation is difficult to come by

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### Program Yield Updating

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Updated Yields</th>
<th>Current Yields</th>
<th>&quot;Max&quot; Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>168.7</td>
<td>176.4</td>
<td>165.7</td>
<td>150.5</td>
<td>88.2</td>
<td>139.3</td>
<td>137.3</td>
<td>Updated</td>
</tr>
<tr>
<td>Soybeans</td>
<td>50.0</td>
<td>50.0</td>
<td>58.0</td>
<td>46.4</td>
<td>44.3</td>
<td>44.8</td>
<td>40.9</td>
<td>Updated</td>
</tr>
<tr>
<td>Wheat</td>
<td>61.9</td>
<td>66.0</td>
<td>62.0</td>
<td>69.0</td>
<td>68.7</td>
<td>59.0</td>
<td>48.8</td>
<td>Updated</td>
</tr>
</tbody>
</table>

Do not enter 0 if crop is not planted
# Base Acre Updating

## Base Acre Reallocation

Please add the relevant crops on your farm to the calculation.

- **Add a crop**
  - Select
  - Add to calculation

Please enter the acreage for each crop.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Base Acres</th>
<th>Planted Acres</th>
<th>Base Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Corn</td>
<td>41</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Soybeans</td>
<td>41</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Wheat</td>
<td>18</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Total base acres: 100

Generic base acres: 0

[Calculate Reallocated Base]
Keep or Reallocate Base Acres Across Crops

Choices: 1) Current base acres (letter from FSA)
2) Updated based on 2009 to 2012 plantings
(Does not change total base acres)

<table>
<thead>
<tr>
<th>Base Acre Updating</th>
<th>Planted Acres by Year</th>
<th>09-12 Average</th>
<th>Reallocated Base</th>
<th>Current Base</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009      2010      2011 2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>75         75         75     75</td>
<td>75.0%</td>
<td>75.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>25         25         25     25</td>
<td>25.0%</td>
<td>25.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Wheat</td>
<td>0          0          0      0</td>
<td>0.0%</td>
<td>0.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>100        100        100    100</td>
<td>100.0%</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Pick allocation with most acres in corn
**APAS 2.0 Sample Farm Worth County Georgia**

Sample farms are constructed using the top four crops having a minimum 2,500 acres in a given county, with acreage values scaled using their pro rata share of commodity acres and 2013 prices to approximate an annual revenue of $500,000 for the whole farm.
Expected Program Payments For Worth County Georgia Sample Farm

Expected program payments are estimated average annual payments for the sample farm using the different programs, including program selections optimized over different planning horizons.
Expected Crop Program Payments By Acre For Worth County Georgia Sample Farm

Expected program payments are estimated average annual payments for the sample farm using the different programs, including program selections optimized over different planning horizons.
Safety Net Comparison for Worth County, Georgia Sample Farm

Safety Net chart values reflect the simulated probability that the sample farm will meet or exceed the target revenue in a given year.
Program Decision

Three choices:

- PLC (Price Loss Coverage) - can have SCO
  - Target price (now reference price) program
- ARC-County - can not have SCO
  - Agricultural Risk Coverage
  - County level revenue program
- ARC-IC - ARC individual - can not have SCO
  - Farm Level revenue program
  - All crops together in guarantee calculations
  - Not be used much, explain why latter

Except for ARC-IC, all program by FSA farm/ crop, ARC-IC is per farm
Suggestions for Program Decisions

• Rank order expected payments

• Know for each crop, break points between PLC / ARC - County
Farm Base Acres: 100

**Corn**
Base Acres: 50  
Payment Yield: 150

**Soybeans**
Base Acres: 50  
Payment Yield: 50

Base Acre Reallocation Calculator
### Yield History (optional)

The yields entered from 2008-2012 are used to calculate the updated payment yield. The yields entered from 2009-2013 are used in estimated the ARC-Individual payments.

#### Corn (Bushels/acre)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>171</td>
</tr>
<tr>
<td>2009</td>
<td>179</td>
</tr>
<tr>
<td>2010</td>
<td>182</td>
</tr>
<tr>
<td>2011</td>
<td>143</td>
</tr>
<tr>
<td>2012</td>
<td>172</td>
</tr>
<tr>
<td>2013</td>
<td>189</td>
</tr>
</tbody>
</table>

Current Payment Yield: 150

Updated Payment Yield: NA

#### Soybeans (Bushels/acre)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>44</td>
</tr>
<tr>
<td>2009</td>
<td>45</td>
</tr>
<tr>
<td>2010</td>
<td>52</td>
</tr>
<tr>
<td>2011</td>
<td>37</td>
</tr>
<tr>
<td>2012</td>
<td>46</td>
</tr>
<tr>
<td>2013</td>
<td>46</td>
</tr>
</tbody>
</table>

Current Payment Yield: 50

Updated Payment Yield: 40.32
### Price Series

These prices are the 12-month market year average. They are used to estimate program payments. Please select a published price series or create your own.

#### Corn ($/bu.)

<table>
<thead>
<tr>
<th>Price Series</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2014 CBO Projected Prices</td>
<td>3.90</td>
<td>4.00</td>
<td>4.19</td>
<td>4.35</td>
<td>4.45</td>
</tr>
</tbody>
</table>

#### Soybeans ($/bu.)

<table>
<thead>
<tr>
<th>Price Series</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2014 CBO Projected Prices</td>
<td>11.06</td>
<td>10.02</td>
<td>10.06</td>
<td>10.87</td>
<td>11.11</td>
</tr>
<tr>
<td>Scenario 1</td>
<td>Scenario 2</td>
<td>Scenario 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corn</strong></td>
<td><strong>Corn</strong></td>
<td><strong>Corn</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Soybeans</strong></td>
<td><strong>Soybeans</strong></td>
<td><strong>Soybeans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Crop:** Corn  
**Type:** Grain  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

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**Type:** Grain  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Corn  
**Type:** Grain  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Soybeans  
**Type:** Commodity  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Soybeans  
**Type:** Commodity  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Soybeans  
**Type:** Commodity  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Soybeans  
**Type:** Commodity  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85

**Crop:** Soybeans  
**Type:** Commodity  
**Practice:** Non-Irrigated  
**Revenue Protection**  
0.85
Please review your scenario selections. If you are satisfied, please click 'Run Scenarios' to see your results.

**Run Scenarios**

**Program Payments**

- **All Crops**
- **Title I**
- **Additional Insurance**
- **Crop Revenue + MPCI**

**Expected Program Payments**

- **Scenario 1**
- **Scenario 2**
- **Scenario 3**

*Expected program payments are estimated average annual payments for the custom built farm using the different programs, including program selections optimized over different planning horizons.*
Thank you and Questions