

# Ag Policy Update

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**Joe L. Outlaw**  
**Professor & Extension Economist**  
**Co-Director, AFPC**

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# The Problem...

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- Unless producers are kidding themselves... right now there are very few crops in the South where expected prices appear to provide a profit this year --- and some get worse in the next few years
- So... producers need to spend money wisely and fine tune crop insurance as much as you can and hope commodity program choices work for them

# So... How Do You Determine Whether You Made the “Right” Farm Bill Choices

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- How the Heck Should I Know
- Actually – I Do Know
  1. Did somebody (You, Me or the Producer) do an analysis using a real risk-based analysis tool
  2. And you looked at the results and said – over the 5 years of the bill that’s the one I want
  3. Then – You’re Good

	2009	2010	2011	2012	2013	2014*	Oly Avg	ARC-CO Benchmark	ARC-CO Guarantee	2014 Actual Revenue*
Grain corn in Milam, Texas (bu/ac)	52	71	52	83	92	118	68.7	\$363.02	\$312.20	\$436.60
Grain Corn (\$/bu)	\$3.55	\$5.18	\$6.22	\$6.89	\$4.46	\$3.70	\$5.29		268.5 237.3	
Grain sorghum in Milam, Texas (bu/ac)	42	83	42	86	69	84	64.7	\$329.58	\$283.44	\$336.00
Grain sorghum (\$/bu)	3.22	5.02	5.99	6.33	4.28	4.00	\$5.10			
Grain corn in Webster, Iowa (bu/ac)	176	168	191	149	137	188	164.3	\$868.78	\$747.15	\$695.60
Grain Corn (\$/bu)	\$3.55	\$5.18	\$6.22	\$6.89	\$4.46	\$3.70	\$5.29		642.4 567.9	

\* 2014 Actual Data are Estimates

# Insurance is a Big Wildcard Going Forward

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- SCO and STAX will be useful tools to some
  - 2015 corn, wheat, soybeans, cotton and rice only
- Yield Exclusion may make both less attractive once producers figure out what to do with new APH yields relative to cost
- Remember in addition to above...
  - Enterprise unit by practice
    - 80% govt subsidy up to 70% coverage
  - Revenue insurance for peanuts
  - Separate coverage levels by practice
  - Beginning farmers (provides 10 percentage point discount for all crop insurance premiums)

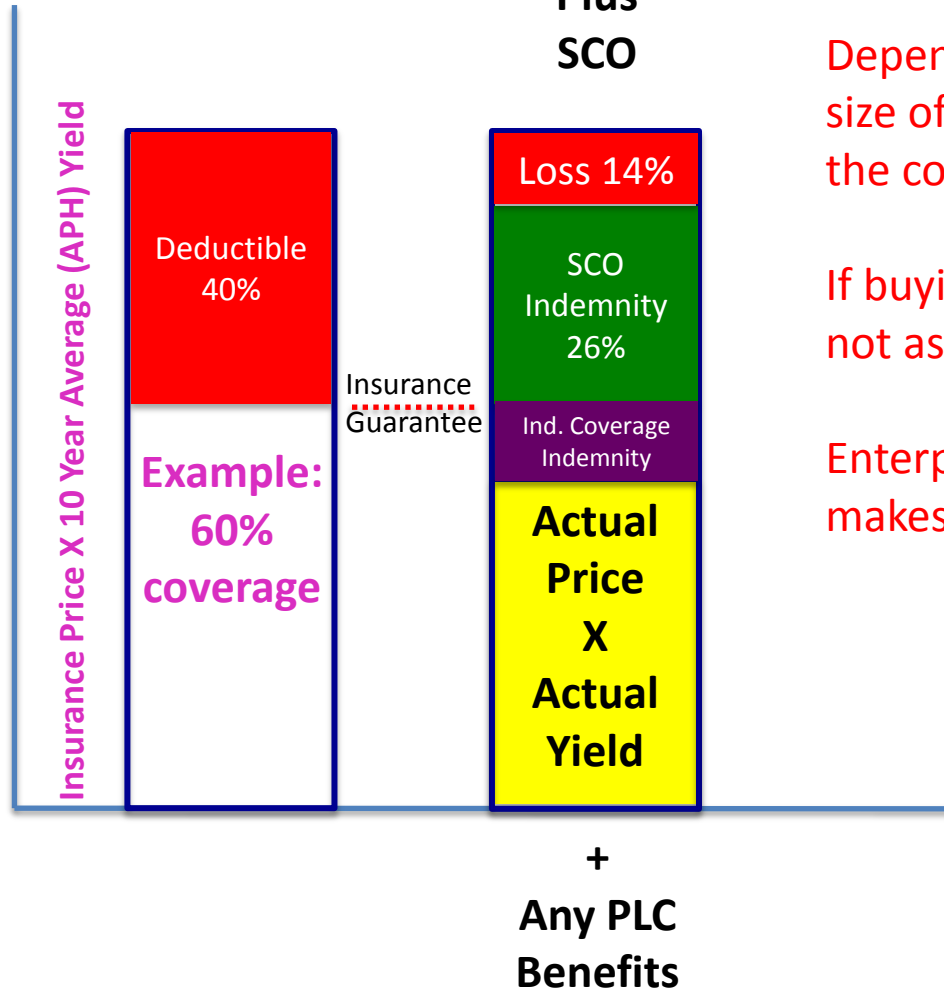
# Crop Insurance Choices

Coverage Level	Basic & Optional Subsidy %	Enterprise Unit Subsidy %	SCO Subsidy	STAX Subsidy %
50%	67%	80%	65%	80%
55%	64%	80%	65%	80%
60%	64%	80%	65%	80%
65%	59%	80%	65%	80%
70%	59%	80%	65%	80%
75%	55%	77%	65%	80%
80%	48%	68%	65%	80%
85%	38%	53%	65%	80%



**Crop Insurance Expected Revenue**

**Example of Price Loss Coverage (PLC) Plus SCO**



How useful will SCO be?

Depends on the relative size of the deductible and the cost

If buying 85% coverage level not as exciting

Enterprise unit coverage also makes relatively less attractive

# Expected Wheat Payments Per Acre for SCO in Williamson Co - HP

\$5.20 Base Price

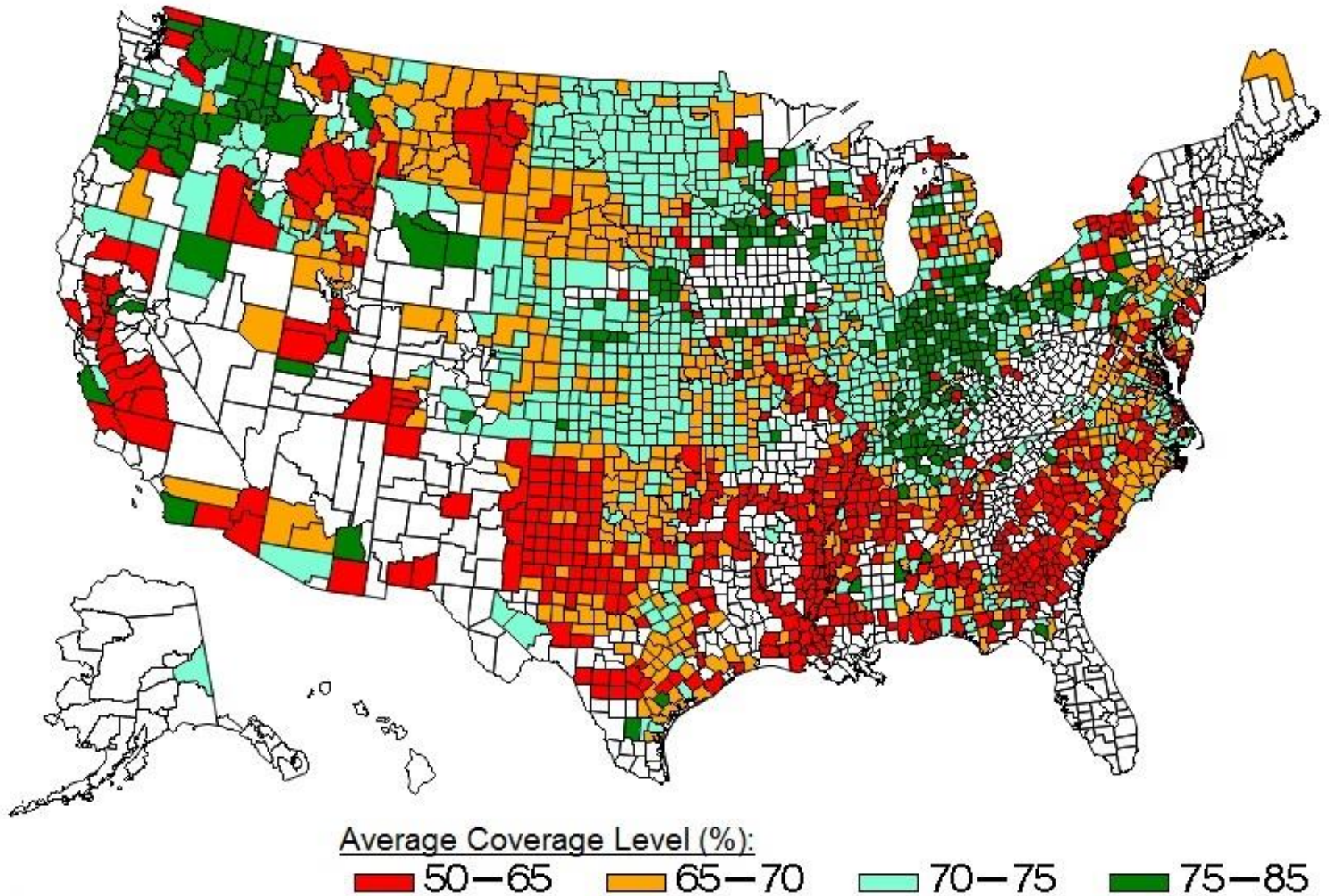
APH=35, CI=RP, Ent. Unit, 70% Coverage

Actual Yield	\$4.65 E(P)	\$5.00 E(P)	\$5.35 E(P)
20	22.58	22.58	23.22
25	22.58	22.58	23.22
30	22.58	17.25	13.46
35	8.4	0	0
40	0	0	0
45	0	0	0



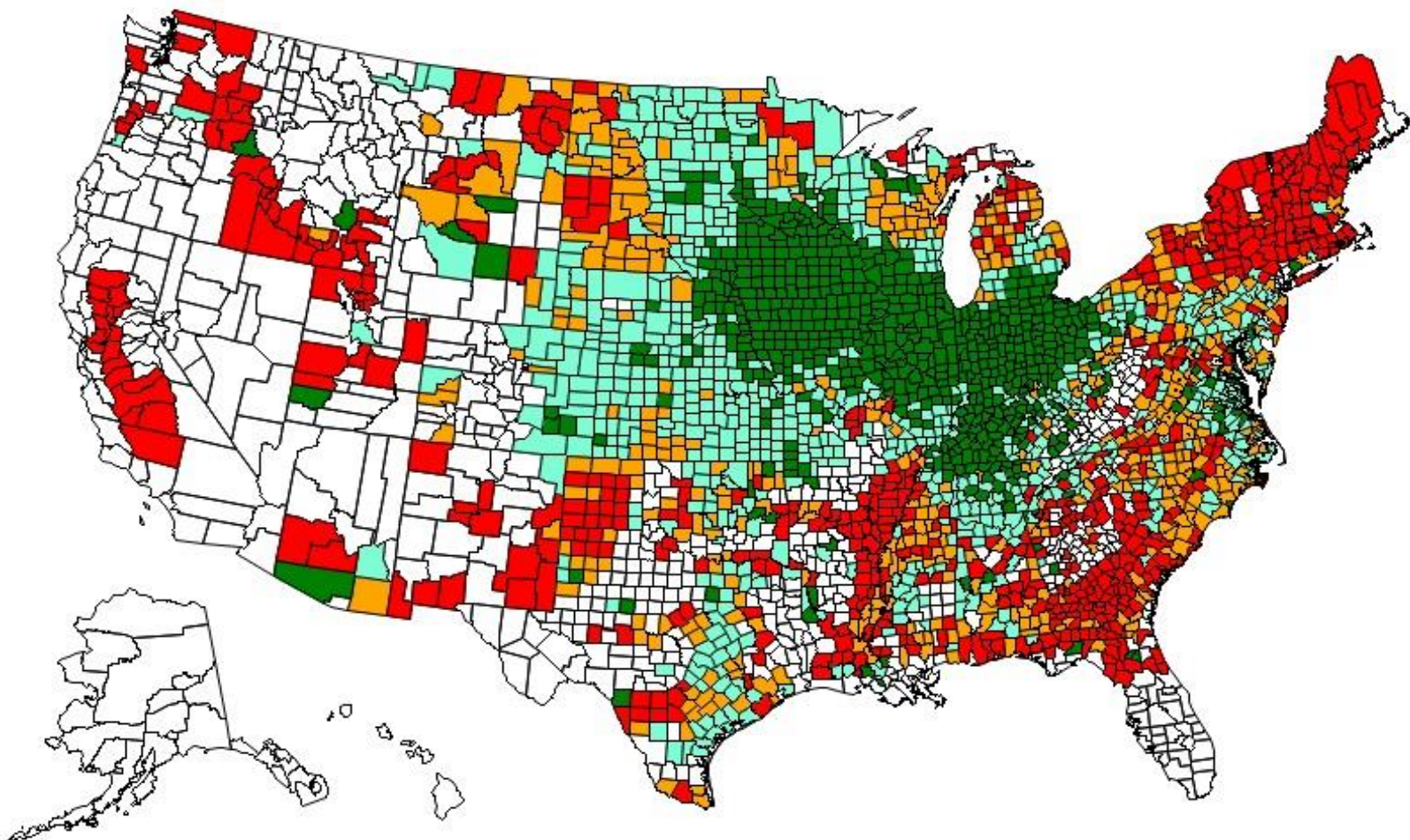
# Current Wheat Coverage Levels

2013 Wheat Average Coverage Level



# Current Corn Coverage Levels

2013 Corn Average Coverage Level



Avg\_cover\_level

50-65

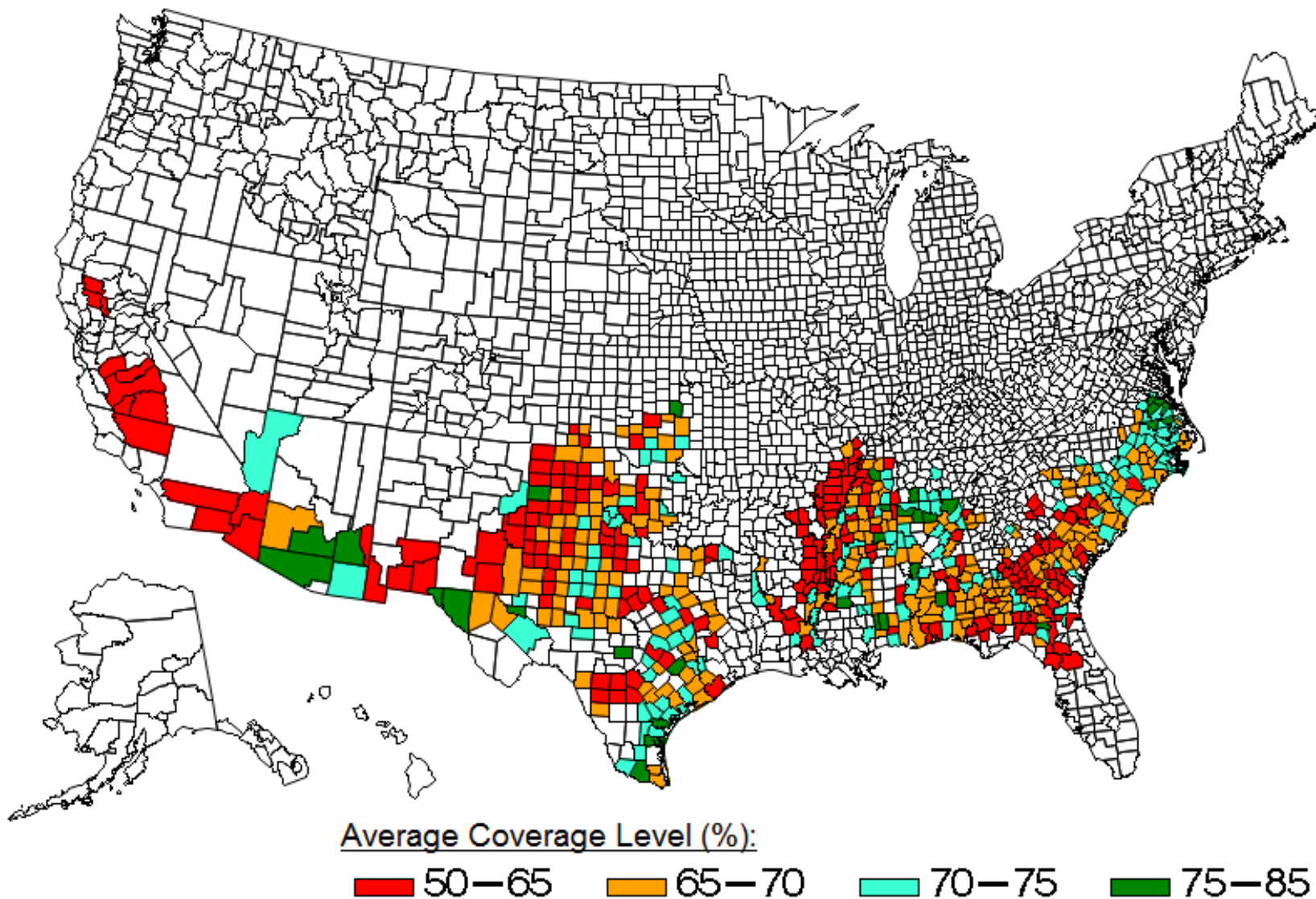
65-70

70-75

75-85

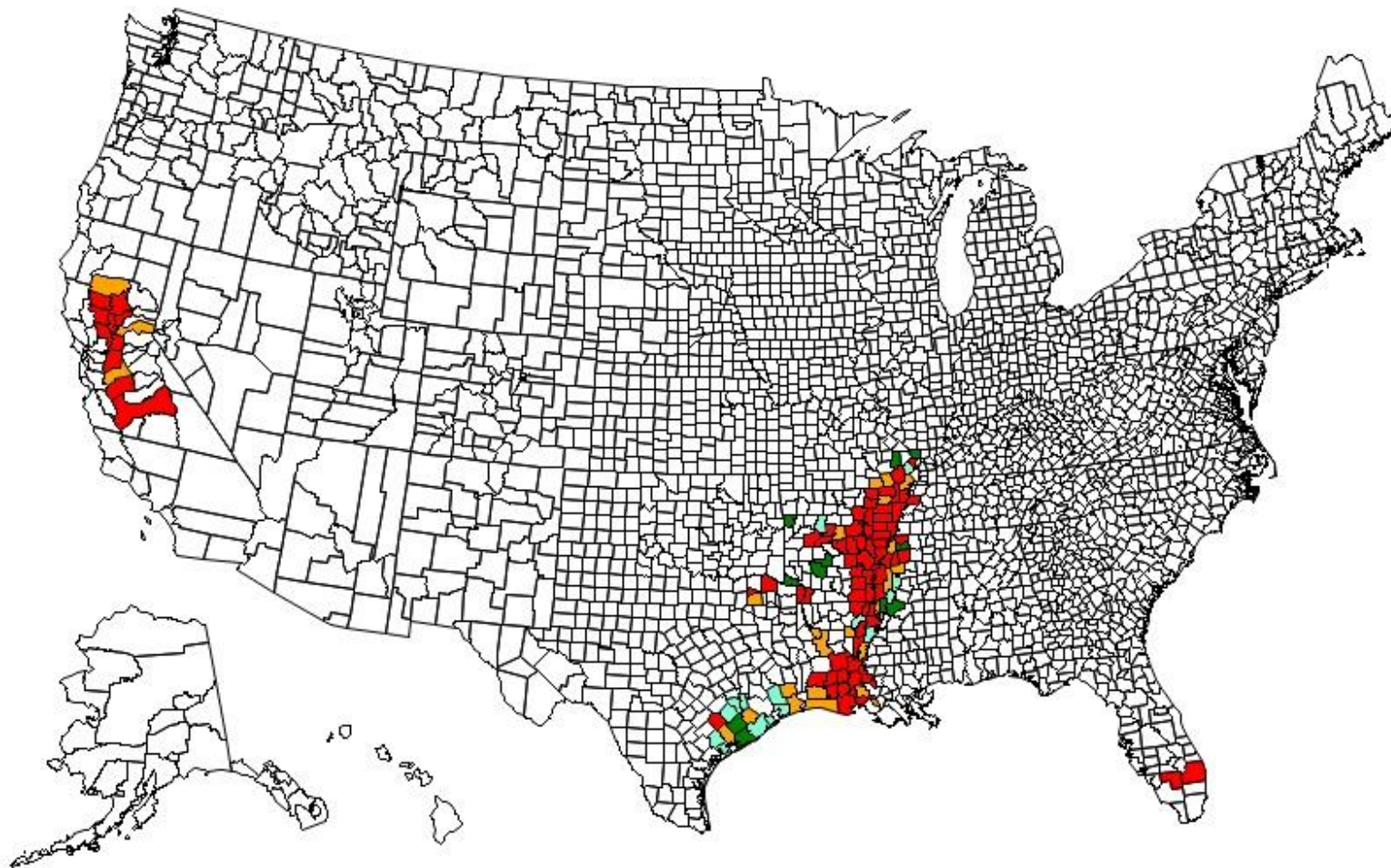
# Current Cotton Coverage Levels

2013 Cotton Average Coverage Level



# Current Rice Coverage Levels

2013 Rice Average Coverage Level



Avg\_cover\_level



50—65



65—70

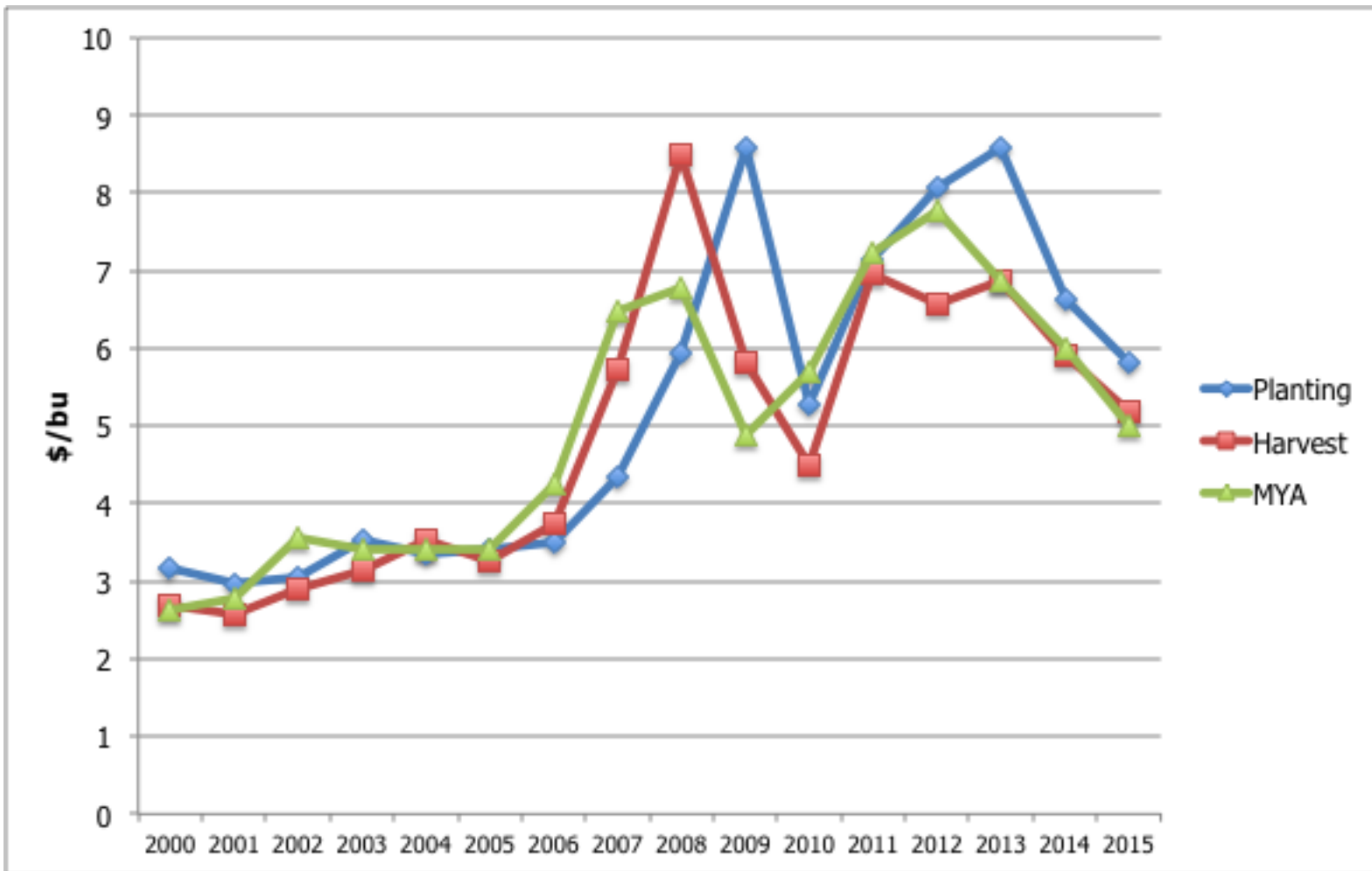


70—75

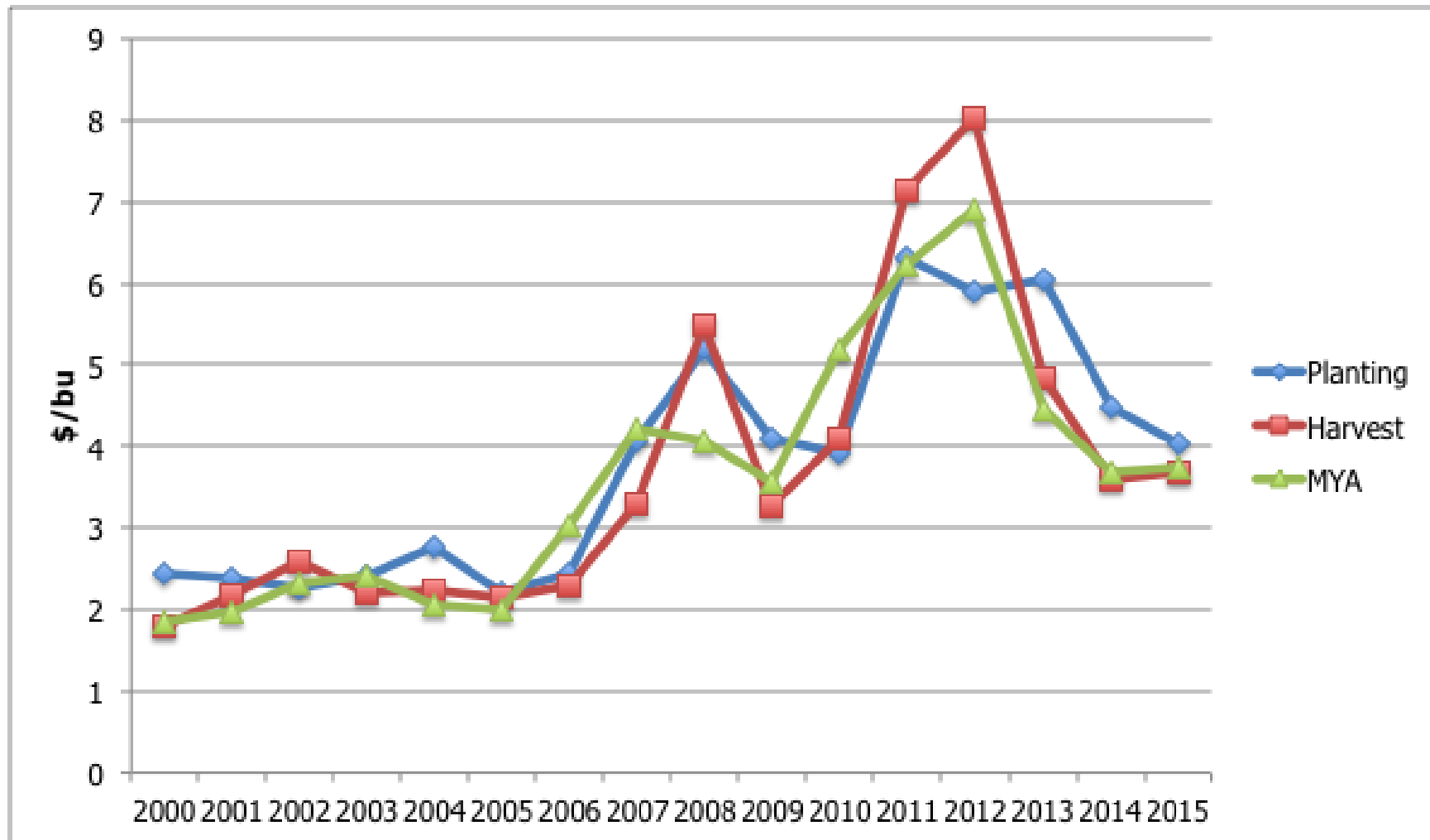


75—85

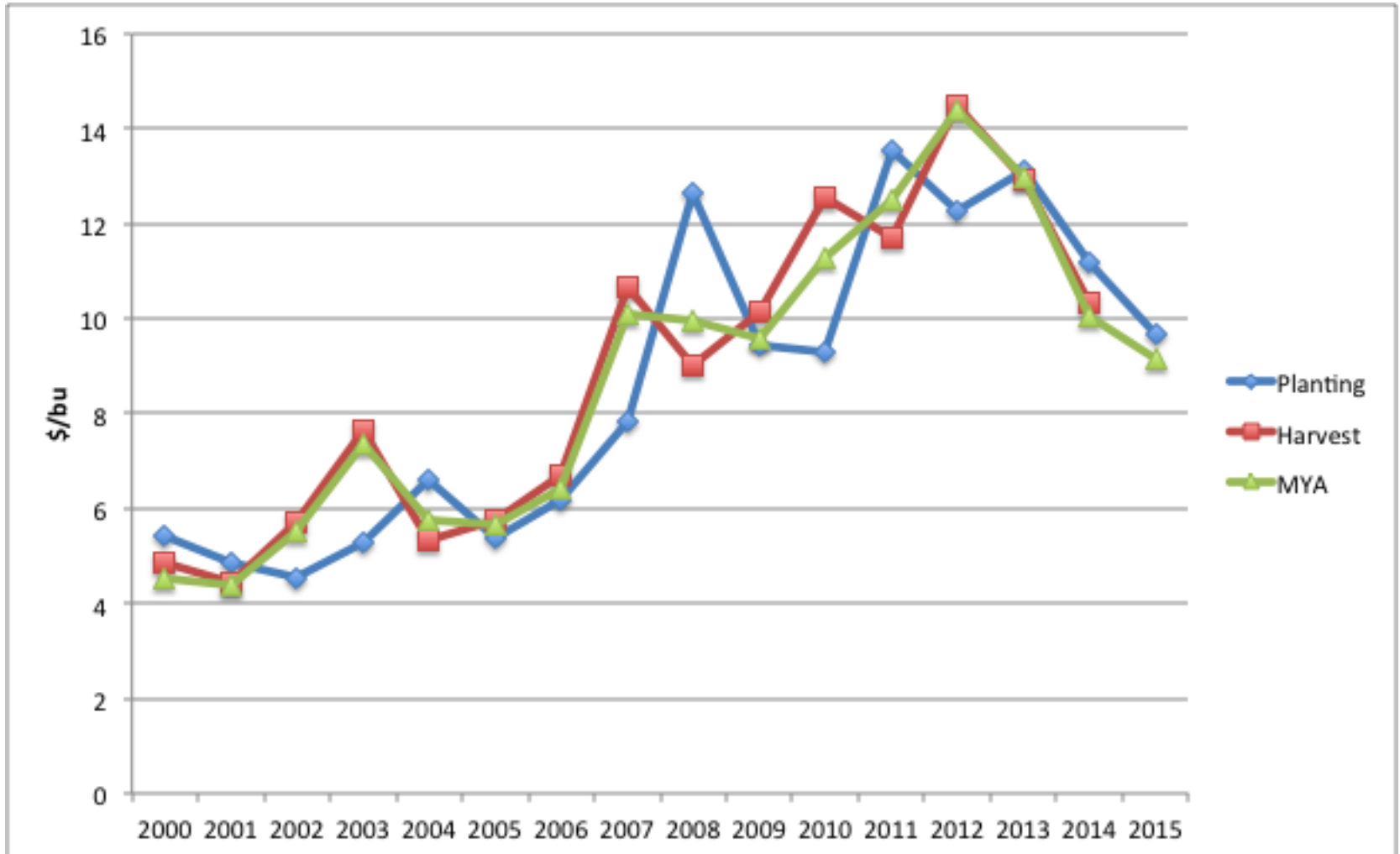
# Georgia Wheat Crop Insurance Prices Versus MYA



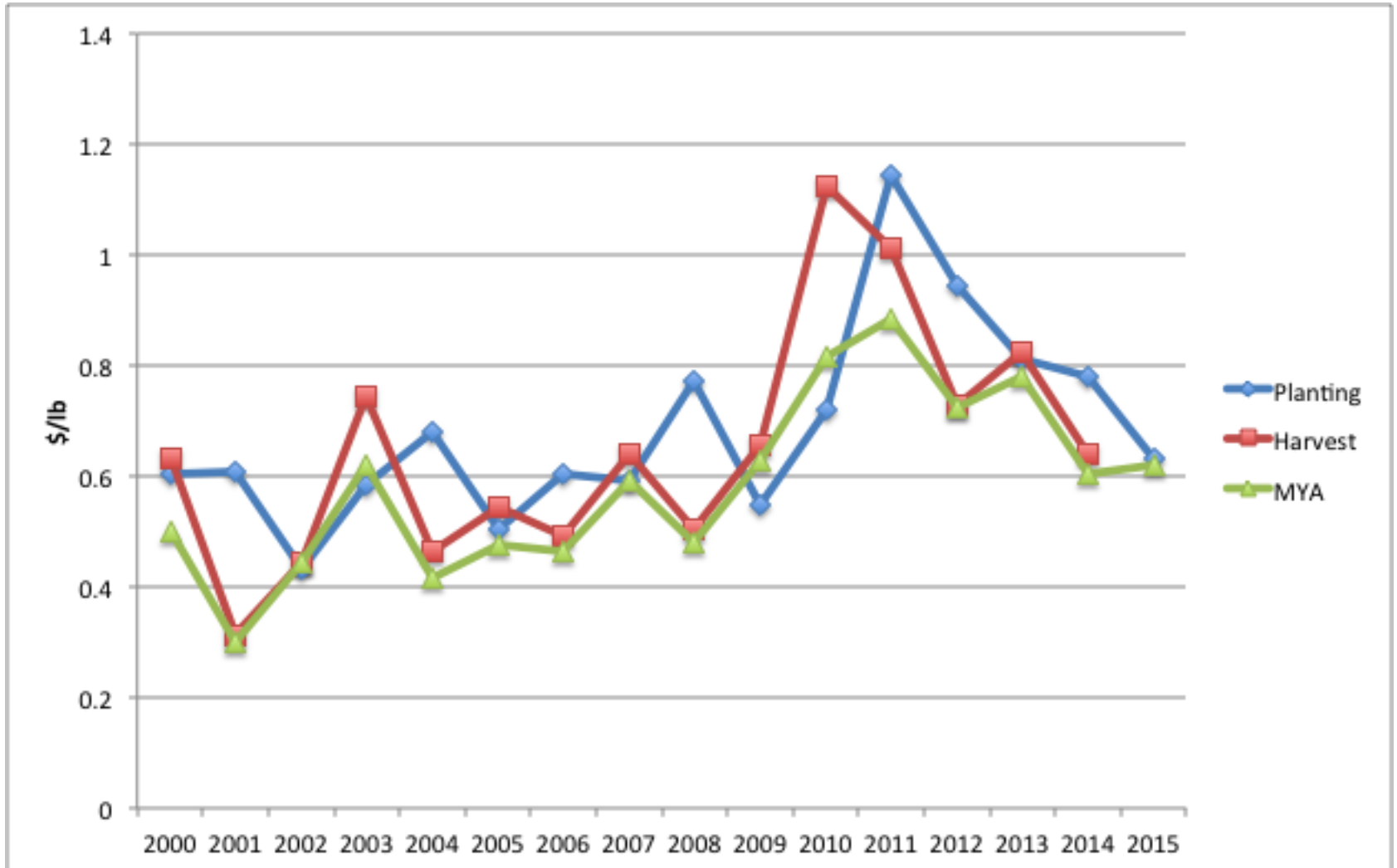
# Georgia Corn Crop Insurance Prices Versus MYA



# Georgia Soybean Crop Insurance Prices Versus MYA

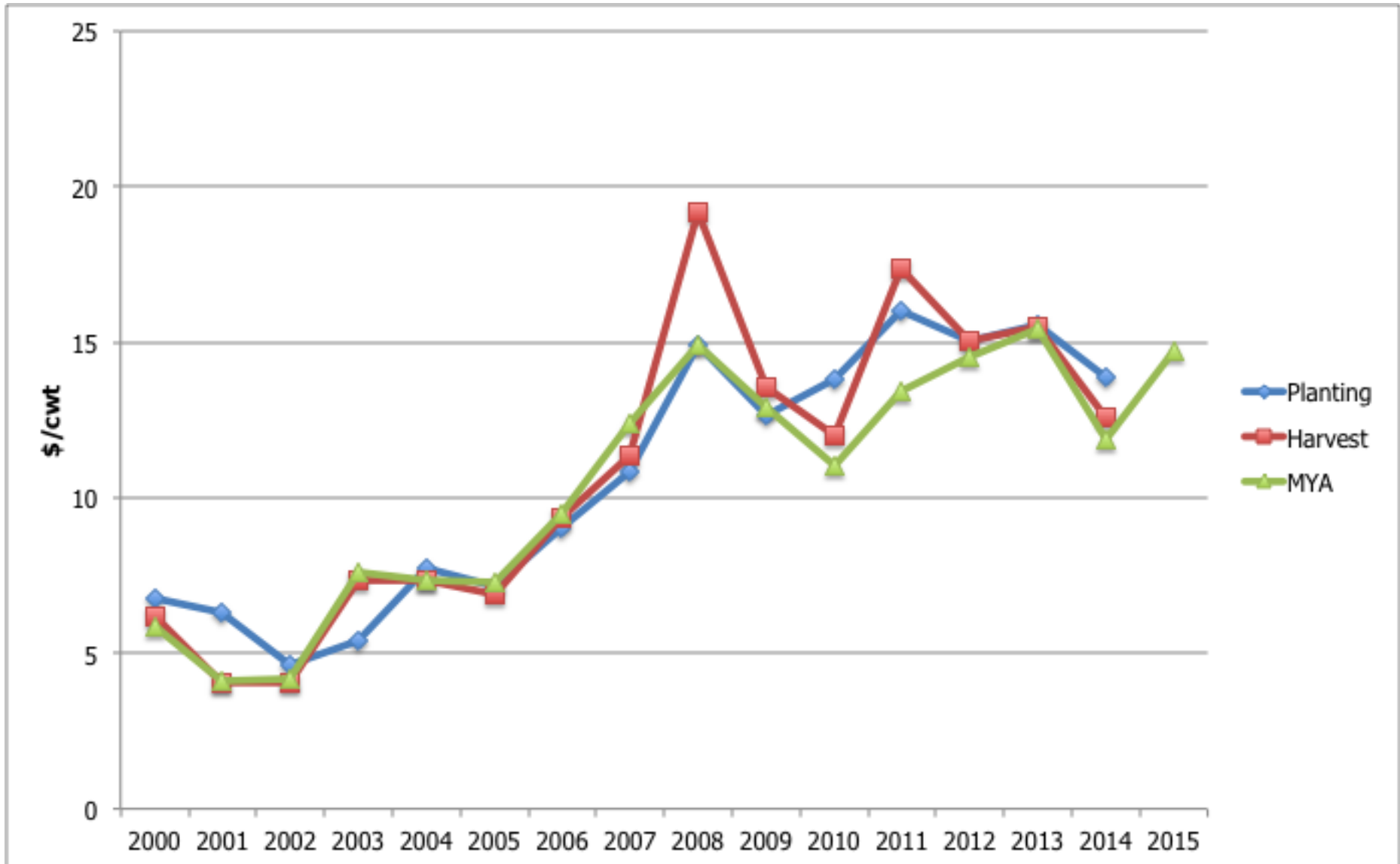


# Georgia Cotton Crop Insurance Prices Versus MYA

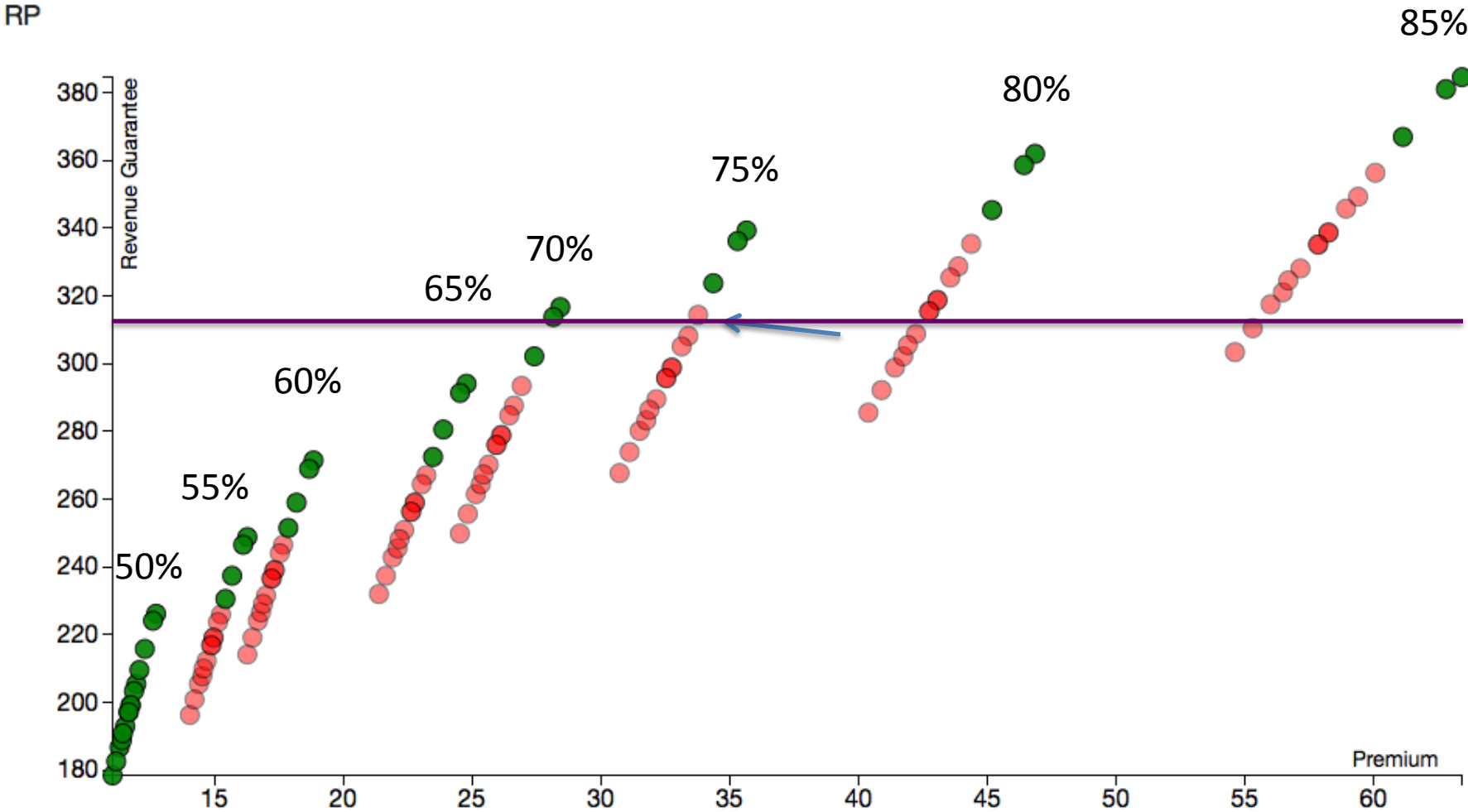




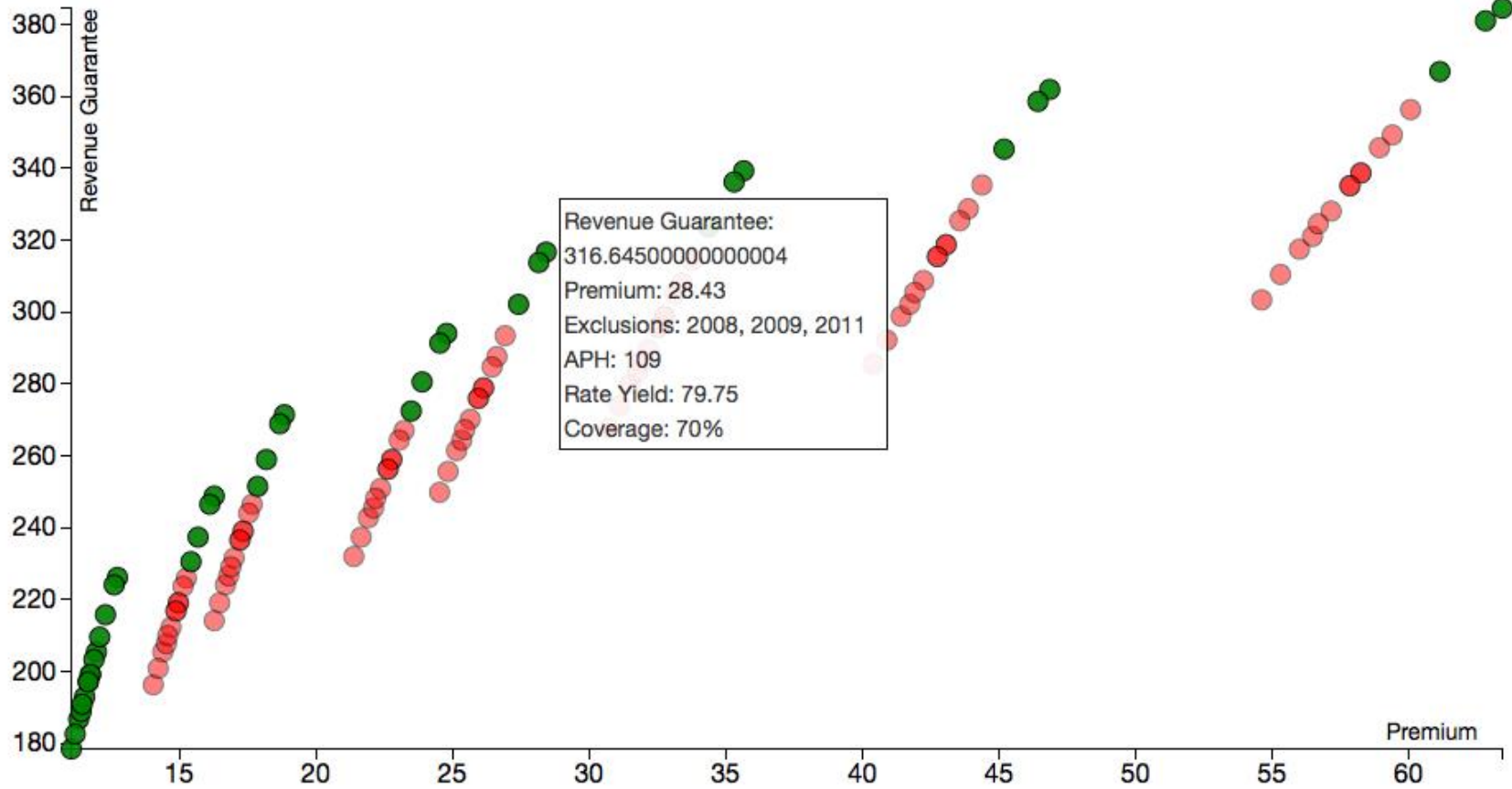
# Arkansas Rice Crop Insurance Prices Versus MYA



# How Big a Deal is Yield Exclusion in Your State?



RP



# Issues I Will Be Looking At

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- Changes to cotton
- Impacts of payment limit changes and new legislation
- WOTUS
- Crop Insurance... be careful what we say

# Thanks!!!

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Joe Outlaw

[joutlaw@tamu.edu](mailto:joutlaw@tamu.edu)

888-890-5663

WWW.AFPC.TAMU.EDU

@AFPCTAMU

