

**ESTIMATED 2012 PAYMENT FOR 2013 OPEN SPACE PROGRAM
FEDERAL FARM SERVICE AGENCY PAYMENTS
TWO YEAR ROTATION CYCLE**

The purpose of this explanation is to determine the amount of additional income that is possible by participation in the new Farm Security and Rural Investment Act of 2002. A hypothetical 1,000 acre farm with a two year crop rotation cycle will be used to illustrate the effect on the income of a farm in the program.

The following example depicts the various fractional acreage's which make up the 1,000 acre farm within this program. Participants sign a Production Flexibility Contract (P.F.C.) making them eligible to receive P.F.C. payments for both wheat and barley. Payments are based on their established yield as determined by the local Farm Service Agency, and 85 % of their base acres.

The new Farm Security and Rural Investment Act (F.S.R.I.A.) of 2002 replaced the old Agriculture Marketing Transition Act with a Direct and Counter-Cyclical Program (D.C.P.) Contract. The contract includes a Direct Payment which is made every year and a Counter-Cyclical Payment. The Counter-Cyclical Payments will be made when the effective price for a crop year is less than the target price. The effective price equals (the higher of) the 12-month farm price, or the loan rate **plus the Direct Payment rate. There were no Counter-Cyclical Payments made in 2012. There was no Loan Deficiency Payment (L.D.P.) in 2012.**

EXAMPLE:

1,000 ACRE DRYLAND FARM

DIRECT, COUNTER CYCLICAL and LOAN DEFICIENCY PAYMENT BASE ACRES

Wheat base for this type of farm is typically 50 % of the total crop acres = 500 acres.
Barley base for this type of farm is typically 20 % of the total crop acres = 200 acres.

ACRES PLANTED
500 ACRES PLANTED TO WHEAT 500 ACRES TO SUMMERFALLOW

(1) INCOME OF FARM PARTICIPATING IN THE D.C.P. & L.D.P.

(A) Wheat Income

Acres planted to wheat	500
Estimated yield per acre (bushels) times acres	<u>40</u>
Total bushels of wheat	20,000
Price per bushel (June thru September) times bushels	<u>\$7.45</u>
Income from wheat	<u>\$149,000</u>

Additional Wheat Income from Direct & Counter-Cyclical Payments

Total wheat base acres 50% of farmable acres	500
Percentage of acres receiving payment times acres	<u>85%</u>
Acres receiving payment	425
Estimated yield per acre (bushels) times acres	<u>40</u>
Total Bushels	<u>17,000</u>

Payments for Wheat

Direct Payment per bushel	\$0.520
Counter -Cyclical Payment per Bushel	\$0.000
Total Payments	\$0.520

Total Bushels Times	17,000
Total Payments	\$0.520
Total Additional Income	\$8,840

Additional Wheat Income from Loan Deficiency Payment

Total wheat base acres 50% of farmable acres	500
Estimated yield per acre (bushels) times acres	40
Total Bushels	20,000

Total Bushels times	20,000
Loan Deficiency Payment per bushel	\$0.00
Total Additional Income	\$0

Total additional Wheat Income from all payments **\$8,840**

(B) Barley Income

Acres planted to barley	0
Estimated Yield per acre (3/4 ton) times acres	75%
Total tons of barley	0
Price per ton (June thru September) times tons	
Income from barley	\$0

Additional Barley Income from Direct & Counter-Cyclical Payments

Barley base acres	200
Percentage of acres receiving payment times acres	85%
Acres qualifying for payment	170
Barley yield per acre (bushels) times acres	41.67
Estimated bushels qualifying for payment	7,084

Payments for Barley

Direct Payment per bushel	\$0.240
Counter -Cyclical Payment per Bushel	\$0.000
Total Payments	\$0.240

Total Bushels Times	7,084
Total Payments	\$0.240
Total Additional Income	\$1,700

Additional Barley Income from Loan Deficiency Payment

Total barley acres planted	0
Estimated yield per acre (bushels) times acres	40
Total Bushels	<u>0</u>
Total Bushels	0
Loan Deficiency Payment per Bushel	<u>\$0.00</u>
	<u>\$0</u>

Total additional Barley Income from all payment **\$1,700**

TOTAL INCOME OF FARM FROM PROGRAM PAYMENTS AND COMMODITIES SALE

Sale of wheat	\$149,000
Additional Income from Government Payments for wheat acres	\$8,840
Sale of barley	0
Additional Income from Government Payments for barley acres	\$1,700
Total income all sources	<u>\$159,540</u>

INCOME PER BUSHEL

\$159,540 divided by 500 acres divided by 40 bu. equals **\$7.98**

(2) INCOME OF FARM NOT PARTICIPATING IN THE D.C.P. & L.D.P.**(A) Wheat Income**

Acres planted to wheat	500
Estimated yield per acre	40
Total bushels of wheat	20,000
Price per bushel (June thru September)	<u>\$7.45</u>
Income from wheat	<u>\$149,000</u>

INCOME PER BUSHEL

\$149,000 divided by 500 acres divided by 40 bu. equals **\$7.45**

(3) INCOME ADVANTAGE PER BUSHEL ON FARM PARTICIPATING IN PROGRAM PAYMENTS

Income per bushel on participating farm	\$7.98
Income per bushel on non-participating farm	<u>(\$7.45)</u>
Effect is an advantage of	<u>\$0.53</u>

(4) APPLICATION OF ADDITIONAL INCOME PER BUSHEL DUE TO PROGRAM PAYMENTS

2012 Advantage		\$0.53
2011 Advantage		\$0.53
2010 Advantage		\$0.53
2009 Advantage		\$0.53
2008 Advantage		\$0.53
5 Year Total		\$2.65
5 Year Average	\$2.65 divided by 5 years rounded to	\$0.53

(5) CONCLUSION

5 YEAR AVERAGE WASHINGTON WHEAT PRICE PER BUSHEL	\$7.45
PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL	<u>\$0.53</u>

TOTAL WHEAT PRICE PER BUSHEL FOR USE IN OPEN SPACE	\$7.98
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