

**ESTIMATED 2012 PAYMENT FOR 2013 OPEN SPACE PROGRAM  
FEDERAL FARM SERVICE AGENCY PAYMENTS  
THREE 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 1,800 acre farm with a three 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 1,800 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 t Direct Payment rate**. **There were no Counter-Cyclical Payments made in 2012.**  
**There was no Loan Deficiency Payment (L.D.P.) in 2012.**

**EXAMPLE:**

1,800 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 = 900 acres  
Barley base for this type of farm is typically 30 % of the total crop acres = 540 acres

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	ACRES PLANTED	
600 Acres Planted	600 Acres Planted	600 Acres
To Winter Wheat	To Spring Crop	To Summerfallow
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**(1) INCOME OF FARM PARTICIPATING IN THE D.C.P. & L.D.P.**

**(A) Winter Wheat Income**

Acres planted to wheat	600
Estimated yield per acre (bushels) times acres	<u>60</u>
Total bushels of wheat	36,000
<b>Price per bushel (June thru September) times bushels</b>	<b><u>\$7.45</u></b>
Income from wheat	<b><u>\$268,200</u></b>

**Additional Wheat Income from Direct & Counter-Cyclical Payments**

Total wheat base acres 50% of farmable acres	900
Percentage of acres receiving payment times acres	<u>85%</u>
Acres receiving payment	765
Estimated yield per acre (bushels) times acres	<u>60</u>
Total Bushels	45,900

**Payments for Wheat**

Direct Payment per bushel	\$0.520
Counter -Cyclical Payment per Bushel	<u>\$0.000</u>
Total Payments	<u><u>\$0.52</u></u>

Total Bushels times	45,900
Total Payments	<u>\$0.52</u>
Total Additional Income	<u><u>\$23,868</u></u>

**Additional Wheat Income from Loan Deficiency Payment**

Total wheat base acres 50% of farmable acres	900
Estimated yield per acre (bushels) times acres	<u>60</u>
Total Bushels	<u>54,000</u>

Total Bushels times	54,000
Loan Deficiency Payment per bushel	<u>\$0.00</u>
	<u><u>\$0</u></u>

**Total additional Wheat Income from all payments** **\$23,868**

**(B) Spring Wheat Income**

Acres planted to Spring Wheat	600
Estimated yield per acre (bushels) times acres	<u>45</u>
Total Bushels	27000
Price per bushel (June thru September) times bushels	<u>\$7.45</u>
Income from spring wheat	<u><u>\$201,150</u></u>

**Additional Barley Income from Direct & Counter-Cyclical Payments**

Barley base acres	540
Percentage of acres receiving payment times acres	<u>85%</u>
Acres qualifying for payment	459
Barley yield per acre (bushels) times acres	<u>41.67</u>
Estimated bushels qualifying for payment	19,127

**Payments for Barley**

Direct Payment per bushel	\$0.240
Counter -Cyclical Payment per Bushel	<u>\$0.000</u>
Total Payments	<u><u>\$0.24</u></u>

Total Bushels	19,127
Total Payment	<u>\$0.240</u>
Total Additional Income	<u>\$4,590</u>

**Additional Barley Income from Loan Deficiency Payment**

Total barley base acres 30% of farmable acres	540
Barley yield per acre (bushels) times acres	<u>41.67</u>
Estimated bushels qualifying for payment	22,502

Total Bushels	22,502
Loan Deficiency Payment per Bushel	<u>\$0.00</u>
	<u>\$0</u>

**Total additional Barley Income from all payment** **\$4,590**

**TOTAL INCOME OF FARM FROM PROGRAM PAYMENTS AND COMMODITIES SALE**

Sale of wheat	\$268,200
Additional Income from Government Payments for wheat acres	\$23,868
Sale of spring wheat	201,150
Additional Income from Government Payments for barley acres	<u>\$4,590</u>
Total income all sources	<u>\$497,808</u>

**INCOME PER BUSHEL**

\$497,808 divided by 1200 acres divided by 60 bu. equals **\$6.91**

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

Income from Wheat	\$268,200
Income from Spring Wheat	<u>\$201,150</u>
	<u>\$469,350</u>

**INCOME PER BUSHEL**

\$469,350 divided by 1200 acres divided by 60 bu. equals **\$6.52**

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

Income per bushel on participating farm	\$6.91
Income per bushel on non-participating farm	<u>(\$6.52)</u>
Effect is an advantage of	<u>\$0.39</u>

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

2012 Advantage		\$0.39
2011 Advantage		\$0.40
2010 Advantage		\$0.40
2009 Advantage		\$0.40
2008 Advantage		\$0.40
<b>5 Year Total</b>		<b>\$1.99</b>
<b>5 Year Average</b>	\$1.99 divided by 5 years rounded to	<b>\$0.40</b>

**(5) CONCLUSION**

<b>5 YEAR AVERAGE WASHINGTON WHEAT PRICE</b>	<b>\$7.45</b>
<b>PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL</b>	<b><u>\$0.40</u></b>

<b>TOTAL WHEAT PRICE PER BUSHEL FOR USE IN OPEN SPACE</b>	<b>\$7.85</b>
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