

## **ESTIMATED 2012 PAYMENT FOR 2013 OPEN SPACE PROGRAM ANNUAL 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 1,200 acre farm with an annual 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 1,200 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:**

1,200 ACRE DRYLAND FARM

**DIRECT, COUNTER CYCLICAL and LOAN DEFICIENCY PAYMENT BASE ACRES**

Wheat base for this type of farm is typically 60 % of the total crop acres = 720 acres.  
Barley base for this type of farm is typically 25 % of the total crop acres = 300 acres.

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	ACRES PLANTED	
720 Acres Planted To Winter Wheat	300 Acres Planted To Spring Wheat	180 Acres Planted To Alternative Crop
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**(1) INCOME OF FARM PARTICIPATING IN THE D.C.P. & L.D.P.**

**(A) Wheat Income**

Acres planted to wheat	720
Estimated yield per acre (bushels) times acres	<u>90</u>
Total bushels of wheat	64,800
<b>Price per bushel (June thru September) times bushels</b>	<b><u>\$7.45</u></b>
Income from wheat	<b><u>\$482,760</u></b>

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

Total wheat base acres 60% of farmable acres	720
Percentage of acres receiving payment times acres	<u>85%</u>
Acres receiving payment	612
Estimated yield per acre (bushels) times acres	<u>90</u>
Total Bushels	55,080

**Payments for Wheat**

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

Total Bushels Times	55,080
<b>Total Payments</b>	<b>\$0.52</b>
Total Additional Income	<b>\$28,642</b>

**Additional Wheat Income from Loan Deficiency Payment**

Total wheat base acres 60% of farmable acres	720
Estimated yield per acre (bushels) times acres	90
Total Bushels	64,800

Total Bushels times	64,800
<b>Loan Deficiency Payment per bushel</b>	<b>\$0.00</b>
	<b>\$0</b>

**Total additional Wheat Income from all payments** **\$28,642**

**(B) Spring Wheat Income**

Acres planted to Spring Wheat	300
Estimated yield per acre (bushels) times acres	55.00
Total Bushels	16500
<b>Price per bushel (June thru September) times bushels</b>	<b>\$7.45</b>
Income from spring wheat	<b>122,925</b>

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

Barley base acres	300
Percentage of acres receiving payment times acres	85%
Acres qualifying for payment	255
Barley yield per acre (bushels) times acres	41.67
Estimated bushels qualifying for payment	10,626

**Payments for Barley**

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

Total Bushels	10,626
<b>Total Payment</b>	<b>\$0.24</b>
Total Additional Income	<b>\$2,550</b>

**Additional Barley Income from Loan Deficiency Payment**

Total barley base acres 25% of farmable acres	300
Barley yield per acre (bushels) times acres	41.67
Estimated bushels qualifying for payment	12,501

Total Bushels	12,501
Loan Deficiency Payment per Bushel	<u>\$0.00</u>
	<u>\$0</u>

**Total additional Barley Income from all payments** **\$2,550**

**(C) Pea Income**

Pea base acres	180
Pea yield per acre (pounds) times acres	<u>1700</u>
Pounds of peas harvested	306,000
Price per pound	<u>\$0.08</u>
Income from peas	<u>\$24,480</u>

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

Sale of wheat	\$482,760
Additional Income from Government Payments for wheat acres	\$28,642
Sale of spring wheat	122,925
Additional Income from Government Payments for barley acres	\$2,550
Sale of peas	<u>\$24,480</u>
Total income all sources	<u>\$661,357</u>

**Income per bushel**

\$661,357 divided by 1200 acres divided by 75 bu. equals **\$7.35**

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

**(A) Wheat Income**

Acres planted to wheat	720
Estimated yield per acre	<u>90</u>
Total bushels of wheat	64,800
Average price per bushel (June thru September)	<u>\$7.45</u>
Income from wheat	<u>\$482,760</u>

**(B) Spring Wheat Income**

Acres planted to Spring Wheat	300
Estimated yield per acre (bushels) times acres	<u>55.00</u>
Total Bushels	16500
Price per bushel (June thru September) times bushels	<u>\$7.45</u>
Income from spring wheat	<u>\$122,925</u>

**(C) Pea income sale of peas**

Pea base acres	180
Pea yield per acre (pounds) times acres	<u>1700</u>
Pounds of peas harvested	306,000
Price per pound	<u>\$0.080</u>
Income from peas	<u>\$24,480</u>

**(3) TOTAL INCOME FROM FARM NOT PARTICIPATING IN PROGRAM PAYMENTS**

Sale of wheat	\$482,760
Sale of spring wheat	\$122,925
Sale of peas	\$24,480
Total income all sources	<u>\$630,165</u>

**Income per bushel**

\$630,165 divided by 1200 acres divided by 75 bu. equals **\$7.00**

**(4) INCOME ADVANTAGE PER BUSHEL FOR FARM PARTICIPATING IN PROGRAMS**

Income per bushel on participating farm	\$7.35
Income per bushel on non-participating farm	<u>(\$7.00)</u>
Effect is an advantage of	<u>\$0.35</u>

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

2012 Advantage	\$0.35
2011 Advantage	\$0.35
2010 Advantage	\$0.34
2009 Advantage	\$0.35
2008 Advantage	\$0.35
<b>5 Year Total</b>	<b>\$1.74</b>
<b>5 Year Average</b> \$1.74 divided by 5 years rounded to	<b>\$0.35</b>

**(6) CONCLUSION**

<b>5 YEAR AVERAGE WASHINGTON WHEAT PRICE PER BUSHEL</b>	<b>\$7.45</b>
<b>PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL</b>	<u><u>\$0.35</u></u>

<b>TOTAL WHEAT PRICE FOR USE IN OPEN SPACE</b>	<b>\$7.80</b>
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