

**ESTIMATED 2015 PAYMENT FOR 2016 CURRENT USE PROGRAM
FEDERAL FARM SERVICE AGENCY PAYMENTS
ANNUAL YEAR ROTATION CYCLE**

This example shows the process for determining the additional income that has been available to the land owner/operator from the federal Farm Service Agency as authorized by the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). The 2002 Farm Bill replaced the old Agriculture Marketing Transition Act with a Direct and Counter-Cyclical Program (DCP) contract.

Two income advantages are reflected in the example:

Direct and Counter-Cyclical Program (DCP) - The contract included a Direct Payment which was made every year. The contract also included a Counter-Cyclical Payment which was made only when the effective price for a crop year was less than the Direct Payment rate. The effective price equals (the higher of) the 12-month farm price, or the loan rate plus the Direct Payment rate.

Production Flexibility Contract (PFC) - Participants signed a Production Flexibility Contract (PFC) making them eligible to receive PFC payments for both wheat and barley. Payments were based on their established yield as determined by the local Farm Service Agency, and 85% of their base acres.

The Direct and Counter-Cyclical Program was repealed through the 2014 Farm Bill. The example includes the following assumptions.

- No Direct Payments, nor Counter-Cyclical Payments in 2015*
- No Loan Deficiency Payment (LDP) in 2015*
- The example includes no income advantage for 2015*
- The five-year average additional income includes 2015 at zero advantage*
- It is unknown how the new programs may affect income for 2016*

A hypothetical 1,200 acre farm with an annual crop rotation cycle has been used to illustrate the effect on the income of a farm in the program. The example depicts the various fractional acreages which make up the 1,200 acre farm within the program.

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.

ACRES PLANTED		
720 Acres Planted	300 Acres Planted	180 Acres Planted
To Winter Wheat	To Spring Wheat	To Alternative Crop

(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
Price per bushel (June thru September) times bushels	<u>\$5.85</u>
Income from wheat	<u><u>\$379,080</u></u>

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	\$0.000
Counter -Cyclical Payment per Bushel	<u>\$0.000</u>
Total Payments	<u><u>\$0.00</u></u>

Total Bushels Times	55,080
Total Payments	<u>\$0.00</u>
Total Additional Income	<u><u>\$0</u></u>

Additional Wheat Income from Loan Deficiency Payment

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

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

Total additional Wheat Income from all payments \$0

(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>\$5.85</u>
Income from spring wheat	<u><u>96,525</u></u>

Additional Barley Income from Direct & Counter-Cyclical Payments

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

Payments for Barley

Direct Payment per bushel	\$0.000
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Counter -Cyclical Payment per Bushel	<u>\$0.000</u>
Total Payments	<u>\$0.00</u>

Total Bushels	10,626
Total Payment	<u>\$0.00</u>
Total Additional Income	<u>\$0</u>

Additional Barley Income from Loan Deficiency Payment

Total barley base acres 25% of farmable acres	300
Barley yield per acre (bushels) times acres	<u>41.67</u>
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 **\$0**

(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	\$379,080
Additional Income from Government Payments for wheat acres	\$0
Sale of spring wheat	96,525
Additional Income from Government Payments for barley acres	\$0
Sale of peas	<u>\$24,480</u>
Total income all sources	<u>\$500,085</u>

Income per bushel

\$500,085 divided by 1200 acres divided by 75 bu. equals **\$5.56**

(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>\$5.85</u>
Income from wheat	<u>\$379,080</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>\$5.85</u>
Income from spring wheat	<u>\$96,525</u>

(C) Pea income sale of peas

Pea base acres	180
Pea yield per acre (pounds) times acres	1700
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	\$379,080
Sale of spring wheat	\$96,525
Sale of peas	<u>\$24,480</u>
Total income all sources	<u>\$500,085</u>

Income per bushel

\$500,085 divided by 1200 acres divided by 75 bu. equals **\$5.56**

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

Income per bushel on participating farm	\$5.56
Income per bushel on non-participating farm	<u>(\$5.56)</u>
Effect is an advantage of	<u>\$0.00</u>

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

2015 Advantage	\$0.00
2014 Advantage	\$0.00
2013 Advantage	\$0.35
2012 Advantage	\$0.35
2011 Advantage	\$0.35

5 Year Total **\$1.05**

5 Year Average \$1.05 divided by 5 years rounded to **\$0.21**

(6) CONCLUSION

5 YEAR AVERAGE WASHINGTON WHEAT PRICE PER BUSHEL	\$6.78
PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL	<u><u>\$0.21</u></u>

TOTAL WHEAT PRICE FOR USE IN OPEN SPACE	\$6.99
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