

**ESTIMATED 2015 PAYMENT FOR 2016 CURRENT USE PROGRAM
FEDERAL FARM SERVICE AGENCY PAYMENTS
THREE 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The Direct and Counter-Cyclical Program was repealed through the 2014 Farm Bill.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 1,800 acre farm with a three year 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 1,800 acre farm within the program.

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

| | | |
|-------------------|-------------------|-----------------|
| ***** | | |
| | ACRES PLANTED | |
| 600 Acres Planted | 600 Acres Planted | 600 Acres |
| To Winter Wheat | To Spring Crop | To Summerfallow |
| ***** | | |

(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>52.5</u> |
| Total bushels of wheat | 31,500 |
| Price per bushel (June thru September) times bushels | <u>\$5.85</u> |
| Income from wheat | <u>\$184,275</u> |

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>52.5</u> |
| Total Bushels | 40,163 |

Payments for Wheat

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

| | |
|-------------------------|---------------|
| Total Bushels times | 40,163 |
| Total Payments | <u>\$0.00</u> |
| Total Additional Income | <u>\$0</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>52.5</u> |
| Total Bushels | <u>47,250</u> |

| | |
|------------------------------------|---------------|
| Total Bushels times | 47,250 |
| Loan Deficiency Payment per bushel | <u>\$0.00</u> |
| | <u>\$0</u> |

Total additional Wheat Income from all payments **\$0**

(B) Spring Wheat Income

| | |
|------------------------------------------------------|------------------|
| Acres planted to Spring Wheat | 600 |
| Estimated yield per acre (bushels) times acres | <u>52.5</u> |
| Total Bushels | 31500 |
| Price per bushel (June thru September) times bushels | <u>\$5.85</u> |
| Income from spring wheat | <u>\$184,275</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 | \$0.000 |
|---------------------------|---------|

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

| | |
|-------------------------|----------------|
| Total Bushels | 19,127 |
| Total Payment | <u>\$0.000</u> |
| Total Additional Income | <u>\$0</u> |

Additional Barley Income from Loan Deficiency Payment

| | |
|-----------------------------------------------|--------|
| Total barley base acres 30% of farmable acres | 540 |
| Barley yield per acre (bushels) times acres | 41.67 |
| 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 **\$0**

TOTAL INCOME OF FARM FROM PROGRAM PAYMENTS AND COMMODITIES SALE

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|-------------------------------------------------------------|------------------|
| Sale of wheat | \$184,275 |
| Additional Income from Government Payments for wheat acres | \$0 |
| Sale of spring wheat | 184,275 |
| Additional Income from Government Payments for barley acres | \$0 |
| Total income all sources | <u>\$368,550</u> |

INCOME PER BUSHEL

\$368,550 divided by 1200 acres divided by 52.5 bu. equals **\$5.85**

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

| | |
|--------------------------|------------------|
| Income from Wheat | \$184,275 |
| Income from Spring Wheat | \$184,275 |
| | <u>\$368,550</u> |

INCOME PER BUSHEL

\$368,550 divided by 1200 acres divided by 52.5 bu. equals **\$5.85**

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

| | |
|---------------------------------------------|-----------------|
| Income per bushel on participating farm | \$5.85 |
| Income per bushel on non-participating farm | <u>(\$5.85)</u> |
| Effect is an advantage of | <u>\$0.00</u> |

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

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|----------------|--------|
| 2015 Advantage | \$0.00 |
|----------------|--------|

| | | |
|-----------------------|--------------------------------------|---------------|
| 2014 Advantage | | \$0.00 |
| 2013 Advantage | | \$0.37 |
| 2012 Advantage | | \$0.39 |
| 2011 Advantage | | \$0.40 |
| 5 Year Total | | \$1.16 |
| 5 Year Average | \$1.16 divided by 5 years rounded to | \$0.23 |

(5) CONCLUSION

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|---------------------------------------------------------------|--|----------------------|
| 5 YEAR AVERAGE WASHINGTON WHEAT PRICE | | \$6.78 |
| PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL | | <u>\$0.23</u> |

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|-----------------------------------------------------------|---------------|
| TOTAL WHEAT PRICE PER BUSHEL FOR USE IN OPEN SPACE | \$7.01 |
|-----------------------------------------------------------|---------------|