

**ESTIMATED 2014 PAYMENT FOR 2015 CURRENT USE PROGRAM
FEDERAL FARM SERVICE AGENCY PAYMENTS
TWO 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The Direct and Counter-Cyclical Program was repealed through the 2014 Farm Bill.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 2014

No Loan Deficiency Payment (LDP) in 2014

The example includes no income advantage for 2014

The five-year average additional income includes 2014 at zero advantage

It is unknown how the new programs may affect income for 2015

A hypothetical 1,000 acre farm with a two 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 1,000 acre farm within the program.

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>52.5</u>
Total bushels of wheat	26,250
Price per bushel (June thru September) times bushels	<u>\$6.68</u>
Income from wheat	<u><u>\$175,350</u></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>52.5</u>
Total Bushels	<u><u>22,313</u></u>

Payments for Wheat

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

Total Bushels Times	22,313
Total Payments	<u>\$0.000</u>
Total Additional Income	<u><u>\$0</u></u>

Additional Wheat Income from Loan Deficiency Payment

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

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

Total additional Wheat Income from all payments \$0

(B) Barley Income

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

Additional Barley Income from Direct & Counter-Cyclical Payments

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

Payments for Barley

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

Total Bushels Times	7,084
Total Payments	\$0.000
Total Additional Income	\$0

Additional Barley Income from Loan Deficiency Payment

Total barley acres planted	0
Estimated yield per acre (bushels) times acres	41.67
Total Bushels	0
Total Bushels	0
Loan Deficiency Payment per Bushel	\$0.00
	\$0

Total additional Barley Income from all payment \$0

TOTAL INCOME OF FARM FROM PROGRAM PAYMENTS AND COMMODITIES SALE

Sale of wheat	\$175,350
Additional Income from Government Payments for wheat acres	\$0
Sale of barley	0
Additional Income from Government Payments for barley acres	\$0
Total income all sources	\$175,350

INCOME PER BUSHEL

\$175,350 divided by 500 acres divided by 52.5 bu. equals **\$6.68**

(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	52.5
Total bushels of wheat	26,250
Price per bushel (June thru September)	\$6.68
Income from wheat	\$175,350

INCOME PER BUSHEL

\$175,350 divided by 500 acres divided by 52.5 bu. equals **\$6.68**

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

Income per bushel on participating farm	\$6.68
Income per bushel on non-participating farm	<u>(\$6.68)</u>
Effect is an advantage of	<u>\$0.00</u>

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

2014 Advantage	\$0.00
2013 Advantage	\$0.46
2012 Advantage	\$0.53
2011 Advantage	\$0.53
2010 Advantage	\$0.53
5 Year Total	\$2.05
\$2.05 divided by 5 years rounded to	\$0.41
5 Year Average	

(5) CONCLUSION

5 YEAR AVERAGE WASHINGTON WHEAT PRICE PER BUSHEL	\$6.50
PLUS 5 YEAR AVERAGE OF ALL PROGRAM PAYMENTS PER BUSHEL	<u>\$0.41</u>

TOTAL WHEAT PRICE PER BUSHEL FOR USE IN OPEN SPACE **\$6.91**