



New farm program to provide enrollment decisions, continued from page 1

The ARC guarantee provides a range of revenue protection from 76 to 86 percent of historical revenue, with farmer-purchased crop insurance expected to cover deeper losses. Farmers who enroll in ARC may not buy Supplemental Coverage Option (SCO) insurance beginning in 2015 because they are very similar products.

PLC is a target-price program that makes payments when national average cash crop prices drop below a "reference price" set in the farm bill. The reference prices are \$3.70 per bushel for corn, \$8.40 per bushel for soybeans and \$5.50 per bushel for wheat. Beginning in 2015, PLC enrollment also allows the purchase of SCO insurance to reduce the traditional crop insurance deductible levels. Only farmers enrolled in the PLC program may buy SCO insurance. County yields are used.

Farmers along with their landowners on rented ground have to make a one-time, irrevocable decision to enroll a farm in ARC or PLC for the life of the five-year farm bill. If a farmer doesn't make a decision, farms are automatically enrolled in PLC beginning in 2015.

To help decide which program to use, farmers may have to review historical planted acres due

to the one-time choice of reallocating base acres using the average for the years 2009 through 2012. However, the reallocation of acres by crop cannot exceed the total historical base acreage. In addition, farmers might want to compare yield information for their farms to their county yields for the years 2008 through 2012.

Payment triggers for both the ARC and PLC programs are based on marketing year average prices. Any payments for revenue or price losses won't be made until the year following a loss.

More information to come

It is too early to know for sure which program will be best for Corn Belt farmers, as the final rules and regulations are not yet known. Once USDA releases the information, farmers and landowners will have time to make enrollment decisions.

Farmers will need to consider how the two programs will work over the life of the five-year farm bill or through the 2018 crop year.

When rules and regulations are finalized, information will be available through the Ag Decision Maker website and your ISU Extension and Outreach farm management field specialists.

New 5-Year Farm Program (2014-2018)

The graphic depicts a canyon with four banners hanging across it. From top to bottom, the banners are: a green banner for 'SCO SUPPLEMENTAL COVERAGE OPTION', a yellow banner for 'CROP INSURANCE', a blue banner for 'ARC AGRICULTURE RISK COVERAGE', and a purple banner for 'PLC PRICE LOSS COVERAGE'. An orange 'OR' is placed between the ARC and PLC banners. To the left of the canyon, the text 'Farm Service Agency' is written vertically. To the right, 'Crop Insurance Agent' is written vertically. At the bottom of the canyon, a white box contains the text: 'Marketing Loan National Rates: \$1.95/bu Corn, \$5.00/bu Soybeans'. The bottom of the graphic features the Iowa State University Extension and Outreach logo on the left and the source 'Source: The Agricultural Act of 2014, February 2014' on the right.



## Farm bill and changes for dairy producers

by Kristen Schulte, ISU Extension and Outreach farm management specialist,  
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The Agricultural Act of 2014 will bring changes for producers including a new program for dairy producers. The legislation has multiple programs that can benefit dairy producers, but the highlight is the Milk Margin Protection (MMP) program. Like other government programs, there are new names and acronyms to learn. The common ones associated with the dairy portion of the farm bill are:

- Milk Margin Protection (MMP)
- Actual Dairy Product Margin (ADPM)
- Actual Dairy Production History (ADPH)
- Dairy Product Donation Program (DPDP)

The MMP program is open to all producers, although they must enroll for a fee of \$100 each time they register. Enrollment will occur on an annual basis, and producers can elect whether to participate each year. This program transitions payments from a set payment based on milk price under MILC to a variable payment based on coverage purchased under MMP. MMP uses national milk and feed prices to determine ADPM. The ADPM is calculated by National All Milk Price (1.0728 x corn price + 0.00735 x soybean meal price + 0.0137 x alfalfa hay price). The corn and alfalfa hay prices are national average prices determined by NASS, while the soybean meal price is representative of Central Illinois and determined by Agricultural Marketing Service.

A dairy producer can cover 25 to 90 percent of his or her ADPH; coverage can be purchased in five percent increments. A producer's ADPH is determined by the highest annual marketing in the three previous years (2011, 2012 or 2013). New producers can opt to extrapolate milk production to a yearly basis or use a calculated production from national average yield times herd size.

Producers can partake in the MMP by paying premiums to cover percentages of their ADPH at

levels of ADPM from \$4 to \$8 in \$0.50 increments. Two different premium structures are offered based on total hundredweight covered above or below four million pounds; premiums paid depend on hundredweight covered in relation to ADPH. For ADPM protection under four million pounds, premiums range from \$0.00 for \$4.00 to \$0.475 for \$8.00 per hundredweight, and \$0.00 to \$1.36 premium for coverage above four million pounds. Payment is based on two consecutive months (January/February, March/April, etc.) of calculated ADPM below coverage level purchased.

The key for producers to understand with this program is how their Income Over Feed Cost (IOFC) correlates to the calculated ADPM. Therefore, understanding the actual cost of production and feed cost per hundredweight is important to determining if the program is a good fit for each producer. Rules and regulations have yet to be set for producers to enroll in the program; stay tuned to your local FSA office and extension resources for more information.

DPDP is a program that helps to control dairy product supply on the market in times of low margins. When ADPM falls below the \$4 margin for two consecutive months, the secretary of agriculture will announce and implement the program, which consists of buying and distributing dairy products.

Rules and regulations will be set in the coming months. More information on the crop and livestock related programs will be available on Ag Decision Maker ([www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)) or by contacting your local extension farm business management specialist. The program Dairy Markets and Dairy Policy through University of Wisconsin, [dairy.wisc.edu/](http://dairy.wisc.edu/), also offers a wide breadth of information on dairy programs and policy.



## Conservation practices for landlords

by Michael D. Duffy, ISU Extension and Outreach economist, 515-294-6160, [mduffy@iastate.edu](mailto:mduffy@iastate.edu)

There is growing concern over the possible impacts of the increase in rented farmland on soil conservation. Concerns regarding conservation practices are not new; however, concerns have risen recently for several reasons. More than half of Iowa's farmland is rented and operated by someone other than the owner. In addition, landowners are aging and, therefore, are less likely to be actively engaged in farming. The general assumption is that if farmers do not own the land they farm, they are less likely to have an incentive to use conservation practices to maintain their resources.

Many landlords want to use conservation practices on their land but are unaware of their options and how to implement the various practices. This article explores the different operational and permanent conservation practices that can be implemented.

Most conservation practices are intended to decrease soil erosion. Erosion is the wearing away of soil and rock, and removal of topsoil. Sheet and rill erosion occur on sloping land with little ground cover. Sheet erosion happens when water removes even layers of top soil. Rill erosion occurs when water makes channels up to 30 cm deep. Gully erosion happens when rainwater makes a deep channel that washes away soil. The soil can wash into nearby creeks and streams, disrupting the quality and flow of water. Wind can pick up and remove topsoil if it is in a dry area that is not secured by plants or has been overgrazed.

Loss of topsoil due to any of these conditions has both short- and long-term effects. Topsoil is the most fertile part of the land holding the most nutrients for growing crops, and it takes up to a thousand years to develop one inch of new topsoil. This publication describes some of the many conservation practices that can be implemented by a landlord to protect and conserve these valuable soil assets.

Soil erosion is not the only critical issue when it comes to protecting and conserving land. Water quality protection, wildlife habitat preservation, recreational development/maintenance and nutrient and pest management are other factors that play a role in conserving land.

### Conservation practices

Conservation practices can be divided into two main categories: operational and permanent. Some conservation practices may fall under both categories depending on the circumstance.

#### Operational Conservation Practices

An operational conservation practice is a short-run practice that can be implemented on a year-by-year basis. The practice can be used one year and not the next. Examples of operational conservation practices include:

- Contour Buffer Strips
- Contour Farming
- Cover Crops
- Crop Rotation
- Managed Grazing (Rotational Grazing)
- Nutrient Management
- Integrated Pest Management (IPM)
- Residue Management: Mulch Till
- Residue Management: No-Till

#### Permanent Conservation Practices

A permanent conservation practice is a long-term practice that will remain in place until it is removed or altered. Examples of permanent conservation practices include:

- Diversion
- Field Borders
- Grade Stabilization Structure
- Grassed Waterways
- Riparian Buffer Strips
- Stream Bank and Shoreline Stabilization
- Terraces
- Water and Sediment Control Basin
- Windbreak

*Conservation practices for landlords, continued from page 4*

More details on these conservation practices, including definitions and examples of costs associated with each practice, can be found in *AgDM File A1-41, Conservation Practices for Landlords*.

When evaluating what conservation practice to implement, there are many factors and questions to be considered. Is a single practice or a group of practices the best choice? What are the costs of the conservation practices and do they fit the farm budget? The most important question is why you want to implement a practice. What is your goal?

### **Setting conservation goals**

Open communication between the landlord and tenant is vital to implement any of the conservation practices described here.

The landlord and tenant may have different motivations to engage in conservation practices. Landlords want to protect their assets, while the tenants might have greater current income as their most important consideration. Both parties will have different views, but it is important to come to a consensus on some conservation goals. Do you want to prevent rill or sheet erosion? Do you want to provide more or better habitat for wildlife? Do you want to protect nearby waterways? Be specific with your conservation goals.

### **Choosing conservation practices**

After setting common goals, begin planning and deciding what conservation practices will achieve those goals. Use this article as a tool to help you think about different options for conservation practices that can improve your rented land.

### **Cost division of conservation practices**

A first step in planning for conservation practices is deciding who will bear the costs. Often the conservation practices benefit the landlord, but in certain cases the tenant also will benefit due to factors such as improved yields, easier farming conditions and less potential for water damage.

Not all conservation practice costs and benefits are associated solely with the landlord and tenant. The costs of environmental degradation, such as erosion, are borne by society in general. Costs for

cleaning waterways, increased turbidity in the water and nutrient contamination are directly associated with soil erosion, but neither the tenant nor the landlord bears these costs.

The second step in planning for conservation practice implementation is to determine if there are any cost share funds available for the practice. For some practices, a considerable portion of the fixed costs can be paid with cost share funds. The amount of funding depends upon the practice. Also, the amount of funds available varies by county.

After the final costs have been estimated, it must be determined how the costs will be divided between the tenant and the landlord. This is often where the most difficulty arises. Should the tenant or the landlord pay for the costs of conservation practices? What if the costs were divided and the lease is terminated? What is a reasonable time to prorate the tenant's costs? How much will the tenant be reimbursed for employing the practice? These and many similar questions need to be addressed and spelled out in the lease.

Economic theory would suggest that whoever bears the cost should receive the benefit. However, this logic does not necessarily apply to cost division of conservation practices. The tenant and the landlord must communicate about their joint goals and the outcome of the practices.

USDA Natural Resources and Conservation Service (NRCS) personnel have information about specific conservation practices and can help develop a conservation plan for the farm. Information about general lease provisions affecting what conservation practices you use can be found in *AgDM File C2-01, Improving your Farm Lease Contract*. Sources of additional conservation practice information for landlords include the Iowa Department of Agriculture and Land Stewardship, Iowa Department of Natural Resources, the Natural Heritage Foundation, the Drake Agricultural Law Center and American Farmland Trust.

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Updates, continued from page 1

**Internet Updates**

The following information files have been updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

Conservation Practices for Landlords – A1-41 (10 pages)

Farm Employee Management: Get the Right Start in Hiring Employees – C1-70 (2 pages)

Farm Employee Management: The Job Interview, and What Questions Can I Ask? – C1-71 (3 pages)

Twelve Steps to Cash Flow Budgeting – C3-15 (8 pages)

Your Net Worth Statement – C3-20 (8 pages)

Your Farm Income Statement – C3-25 (8 pages)

Financial Performance Measures for Iowa Farms – C3-55 (8 pages)

Cash Flow Budget – C3-15 (Decision Tool)

Financial Performance Measures – C3-55 (Decision Tool)

Complete Financial Statements – C3-20-25-55 (Decision Tool)

**Current Profitability**

The following tools have been updated on [www.extension.iastate.edu/agdm/info/outlook.html](http://www.extension.iastate.edu/agdm/info/outlook.html).

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15

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and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

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