



MANAGEMENT NEWS

Area Farm Bill Meetings Set

The Tennessee Farm Bureau, USDA Farm Services Agency, and the University of Tennessee Agricultural Extension Service will be jointly conducting a series of meetings statewide. These programs are designed to assist farmers in better understanding the details of implementing the new farm program. Farmers' options regarding crop bases and yields will be discussed along with conservation, dairy, wildlife habitat and other provisions of the bill.

In West Tennessee, the following meetings have been set up :

Tuesday	Oct. 1	Dyersburg	7:30 a.m.	Dyer Co. Fairgrounds
Tuesday	Oct. 1	Martin	7:00 p.m.	Vincent Implement
Wednesday	Oct. 2	Brighton	7:30 a.m.	Brighton Community Center
Thursday	Oct. 3	Somerville	7:30 a.m.	Chickasaw Electric
Thursday	Oct. 3	Savannah	7:00 p.m.	Hardin Co. High School
Wednesday	Oct. 9	Paris	7:30 a.m.	Henry Co. Fairgrounds
Wednesday	Oct. 9	Alamo	7:30 a.m.	National Guard Armory
Thursday	Oct. 10	Brownsville	7:30 a.m.	Charleston Catering
Thursday	Oct. 10	Jackson	7:00 p.m.	McWherter Center/Jackson State

For more information, contact your local Tennessee Farm Bureau office, FSA office, or County Extension office.

Base Acre and Payment Yield Updating Options

One of the more complicated issues regarding the new farm bill revolves around the opportunity producers will have to update base acres and counter cyclical payment yields.

Under the 2002 Farm Bill crop producers have five options for updating base acres and four options for updating payment yields. Each FSA farm number stands on it own.

Base acre update options

1. Freeze 2002 production flexibility contract (PFC) base acres for all years,
2. Add the minimum oilseed acres to existing 2002 PFC base acres . The total bases may exceed the farm's cropland acres by the average acres double-cropped.
3. Add the maximum oilseed acres to existing 2002 PFC base acres by reducing base acres for non-oilseed crops,
4. Update all base acres using the 1998-01 average of planted acres.
5. Freezing 2002 PFC acres and setting oilseed base acres anywhere between the minimum (2) and the maximum (3).

Payment yield options

6. Freeze 2002 payment yields for non-oilseed crops and do not establish oilseed, payment yields,

7. Establish oilseed payment yields and freeze 2002 payment yields of non-oilseed crops for both direct and counter cyclical payments,
8. Establish all counter cyclical payment yields using 70 percent of the increase in weighted average yields for 1998-01 over the 2002 payment yields, or
9. Establish all counter cyclical payment yields using 93.5% of the weighted average yields for 1998-01.

The acceptable combinations of the five base acre options and four payment yield options, gives producers seven alternatives to choose from:

Permitted Base Acre and Payment Yield Update Alternatives

- A. Freeze 2002 base acres and freeze 2002 payment yields: Options 1 and 6,
- B. Add minimum oilseed base acres to existing 2002 PFC base acres, freeze 2002 payment yields for non-oilseed crops, and establish oilseed payment yields: Options 2 and 7,
- C. Add maximum oilseed base acres to existing 2002 PFC base acres by reducing base acres for non-oilseed crops, freeze 2002 payment yields for non-oilseed crops, and establish oilseed payment yields: Options 3 and 7,
- D. Add between the minimum and maximum oilseed base to existing 2002 PFC base acres by reducing base acres for non-oilseed crops, freeze 2002 payment yields for non-oilseed crops, and establish oilseed payment yields : Options 5 and 7 ,
- E. Update base acres for all crops using the 1998-01 average of planted acres, freeze 2002 payment yields for non-oilseed crops, and establish oilseed payment yields: Options 4 and 7,
- F. Update base acres for all crops using the 1998-01 average of planted acres and establish payment yields for all crops using the 70 percent formula: Options 4 and 8, or
- G. Update base acres for all crops using the 1998-01 average of planted acres and establish payment yields using the 93.5 percent formula: Options 4 and 9.

Although there are several choices to make, I believe in West Tennessee, we will basically be looking at 2-3 options. Look first at what adding soybeans to your current base will do, keeping within the cropland acres with the average double crop acres exception. Compare that to the 1998 - 2001 average acres using current program yields, or the adding 70 % difference between average yield and current program yield, or the 93.5% of average yields. Remember, you will be only updating the counter cyclical payment yield.

Documentation Needed

Should you decide to update your yields, you will have to turn in form **FSA-658P Producer's Record of Production** . You will be certifying what your yields are and that you have the production evidence to back it up. If you certify yields, you will be spot checked over the next 6 years. Penalties will be assessed if you are found out of compliance. If you have a year where you don't have records or yields were very low, use the 75% of county average yield plug. Production evidence accepted includes warehouse receipts and grain elevator tickets. There is strong possibility that LDP records from FSA will also be accepted. Check with your local FSA office for the latest on that issue. You may find after analyzing the program options, that you don't need to update your yields or only need to provide soybean yield information.

Update Programs Available

In order to make the decision on whether to update acres or not, and if updating acres, whether to update counter cyclical payment yields, producers need to run the options through some computer software. There are several programs available, but the one that appears to be most complete is from Texas A&M . It is available on the Internet and has to be completed online. The web address is <http://agecoext.tamu.edu/2002fb/> . If you don't have Internet access or need assistance in using their

program, please give me a call at 731 - 635 - 9551 . Don't leave money on the table because you didn't want to go to the trouble and time of analyzing your options.

New Power of Attorney Forms Required

These decisions regarding the new farm bill are to be made by the landowner, whether the land is cash or crop share rented. If a producer as the operator makes those decisions for the landowner, a new Power of Attorney form FSA - 211 is required. These forms have been sent out by FSA. Producers and landowners need to get together in making these decisions.

Signup

Signup is scheduled to begin on October 1, 2002 . All applications for updates must be received before April 1, 2003 . Check with your local FSA office for the procedure to follow. If a producer has a lot of farms, it may take a while. The more you are prepared the less time it will take.

Marketing for 2003

With the new farm bill, marketing becomes even more important than it has in the past. The counter cyclical payments will be based off of the higher of the season average price or the loan rate. With the recent run up in grain prices, it is projected that there will be very little if any counter cyclical payment for wheat, corn and soybeans for the 2002 crop. We only have to look at our recent wheat crop for an example of the marketing risk involved. Wheat was sold off the combine for around \$ 2.80 - \$2.90 a bushel in our area. After harvest, prices increased and are projected to remain at the current level or increase. If that holds true, then there will be no counter cyclical payment for wheat and your net price received would be what you received at harvest. We can always look back and say what we should have done. In this case, after selling the wheat, buying a call option would have been a prudent strategy. The point to make is we are going to have to start looking at various marketing strategies involving forward pricing, storage, options, and futures to go along with harvest sales.

Look hard over the next few months in locking in prices for 2003 . Set reasonable and realistic price objectives for your crops and lock in prices if your price objective is met.. No one knows for sure what the commodity market will do, so using different strategies, and pricing a certain percentages of your crop at different times should help you manage price risk. The University of Tennessee Agricultural Extension Service has educational materials available to help you manage price risk. We also can work with you one-on-one or in workshops to assist in your marketing program. Please give us a call.

Evaluate Wheat Carefully

	Per Acre	Breakeven Bu. @ \$3.33
Wheat		
Variable Costs	\$104	31.2
Fixed Costs	33	9.9
Labor	9	2.7
Specified Costs	\$ 146	43.8 bu.

Generally speaking, wheat double cropped with soybeans is a profitable combination. Although the last few years, double crop soybeans have not yielded very good. However, with the cash price for July '03 wheat around \$3.25 - 3.40 bu. and projected to go higher a close look is warranted. Whether wheat will be profitable or not will depend on your own unique situation. Based on UT's budgets, wheat has the following cost and breakeven yield at a price of \$3.33 bushel.

Whether it is owned ground, share rent or cash rent, some land costs will need to be calculated as well as operator labor and management. Look particularly close at share rented ground. At \$3.33 bu. prices and an average yield of 55 bushels on a straight 25% crop rent there does not appear to be any profit left after expenses. The calculations would be as follows : \$183 gross X .75 = \$137 - \$146 specified costs = -\$9 . Do you need to cover all the fixed costs ? For

long run survival , the answer is yes. But, depending on your situation , you might can get by without covering all of the fixed cost. A good marketing plan may be able to improve wheat's profitability. Plug your own yields, costs, and price outlook in when making your decision. If we can assist you, please let us know.

2002 Second Picking of Cotton

Ever year we get questions on how many pounds of cotton per acre does it take to justify the second picking of cotton. That decision depends on what it costs to run your picker, price of cotton, and the speed you pick . Using the University of Tennessee budgets as a guide, we can estimate how many pounds of cotton it takes to breakeven or cover your variable. For older equipment, variable costs would increase and you would need more lbs. of cotton to cover your cost.

Picker Speed (MPH)	Pounds of Cotton Lint/Acre To Breakeven Over Variable Cost		
	3	4	5
Variable Cost per Acre (a)	\$26.07	\$20.44	\$17.55
Price Lint/Lb. (\$)			
.30	87	68	59
.35	74	58	50
.40	65	51	44
.45	58	45	39
.50	52	41	35
.55	47	37	32
.60	43	34	29

(a) Includes variable cost for 4 row cotton picker, boll buggy, and module builder. Does not take into account any income received from gin for moduling.

Please note that if Fixed Cost (depreciation, interest) were included lbs/acre would be X 1.5. Need to at least cover variable costs (fuel, repairs, labor).

For share rented ground, take pounds per acre X [1 + share rent].

Ex. 1/3 rent, .50 cotton at 4 MPH = 41 X 1.33 = 54.5 lbs. to breakeven over variable costs.

If we can assist you in making farm bill, farm financial planning or marketing decisions , please contact your local county Extension office or call the toll - free MANAGEMENT Information line at 1-800-345-0561 or myself at 731-635-9551.

Sincerely,



Chuck Danehower
Area Specialist-Farm Management
scdanehower@utk.edu

County Extension Offices	
Crockett	731-696 - 2412
Dyer	731-286 - 7821
Haywood	731-772 - 2861
Lake	731-253 - 6528
Lauderdale	731-635 - 9551
Obion	731-885 - 3742
Shelby	901-544 - 0243
Tipton	901-476 - 0231

A State Partner in the Cooperative Extension System
The Agricultural Extension Service offers its programs to all eligible persons regardless of race, color, age, national origin, sex or disability and is an Equal Opportunity Employer.
COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS
The University of Tennessee Institute of Agriculture, U.S. Department of Agriculture,
and county governments cooperating in furtherance of Acts of May 8 and June 30, 1914.
Agricultural Extension Service
Charles Norman, Dean

