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Why FSA May Want to Consider Changing the 3/31/2015 Crop Program Election Deadline

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November 6, 2014

farmdoc daily (4):215

Recommended citation format: Zulauf, C. "[Why FSA May Want to Consider Changing the 3/31/2015 Crop Program Election Deadline](#)." *farmdoc daily* (4):215, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 6, 2014.

Permalink URL <http://farmdocdaily.illinois.edu/2014/11/why-fsa-may-change-sign-up-deadline.html>

Background

The Farm Service Agency (FSA) has announced that sign up for the 2014 farm bill crop program election will occur between November 17, 2014 and March 31, 2015.

- Choices are (1) Agriculture Risk Coverage – County (ARC-CO), (2) Agriculture Risk Coverage – Individual (ARC-IC), and (3) Price Loss Coverage (PLC).
- The election covers the 2014 through 2018 crop years and is irrevocable after the election period closes (note that farmers must also enroll their farms annually).

Incentive to Wait to Make Crop Program Choice

Because the crop program decision covers the current 2014 crop year and involves a choice among 3 program options, delaying the election until late in the election period reduces the risk of electing a program with lower expected payments.

- The reason is that information could be revealed that alters 2014 crop year prices and yields, which in turn alters expected payments by a program option for the 2014 crop year.
- The same argument applies to the 2015 through 2018 crop years, although generally less information is being revealed about these crop years because they are further in the future.

Prospective Plantings

On the election deadline of March 31, 2015, the National Agricultural Statistical Service (NASS) will release *Prospective Plantings* at noon Eastern time - its first estimate of the acres U.S. farmers intend to

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plant for the 2015 crop year (except for *Winter Wheat Seedings* scheduled for a January 12, 2015 release). While the private sector monitors and analyzes farmer planting intentions, *Prospective Plantings* is generally viewed as a more complete survey and thus usually becomes the market's benchmark for price determination. Hence, *Prospective Plantings* can influence market prices and thus expectations about potential program payments not just for 2015 but also for 2014 since current and future prices are interrelated. Thus, *Prospective Plantings* clearly is worth waiting for because it has the potential to influence expected program payments and hence program choice.

Summary Observations

Given the preceding discussion, FSA may want to considering either (1) changing the final election date or (2) creating a process for producers who want to change their decision on March 31, 2015.

The date could be moved backward or forward. Tradeoffs exist from an information perspective.

- Moving back reduces the probability that southern winter wheat producers gain an information advantage from winter wheat breaking dormancy.
- Moving forward puts other program crops on a more equal information footing as winter wheat.
- FSA must also consider staffing and other institutional issues.

In summary, the net effect of changing the final sign up date for the 2014 farm bill crop program election could be to reduce the incentive to wait until the last day to make a decision and could be to create a more uniform information environment for FSA farm producers making the decision.