



Evaluating Rice Rental Arrangements Under the Price Loss Coverage Program of the 2014 Farm Bill

A Farm Planning/Decision Tool for Louisiana Rice Producers

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The Rice Rental Arrangement Net Return Evaluation Model is a spreadsheet-based decision tool developed to assist Louisiana rice producers in evaluating the impacts of alternative crop land rental arrangements on projected net returns above specified rice production costs from the perspective of both the rice producer and the land owner. This decision aid model includes the Price Loss Coverage (PLC) Program option of the Agricultural Act of 2014 (2014 Farm Bill). The PLC Program is expected to be the farm income support option selected by a majority of rice producers and landowners in the state. With the major changes which have been implemented in the 2014 Farm Bill, crop land rental arrangements would be expected to adjust to reflect this change in rice income expectation. This purpose of this decision aid is to assist rice producers and landowners in evaluating alternative rice rental arrangements and to estimate the impact on expected net returns above specified rice production expenses for both the tenant rice producer and the land owner.

The Price Loss Coverage (PLC) Program provides for market price protection only and operates similar to a target price type of program. The PLC rice reference price is \$14.00 per cwt., entered in cell G22. A value for an updated rice program yield (90% of the 2008-2012 farm rice yield) is entered in cell G23 in pounds per acre. This spreadsheet decision tool calculates net returns on a per planted acre of rice basis. Therefore, the number of acres of rice planted on this tract (cell G24) and the number of total rice base acres on this tract (cell G25) are entered to estimate any PLC payments per planted rice acre. The PLC program pays on 85% of rice base acres.

This decision aid can evaluate cash and crop share leases for rice production. Rice crop share percentage paid to the landlord (for land and/or water) can be entered as a percentage value in cell F12. Alternatively, a rice cash lease amount can be entered in cell F13 in dollars per acre. An expected farm level rice market price is entered in cell F8 (in dollars per cwt.) and an expected farm level rough rice yield is entered in cell F9 (in pounds per acre, dry yield basis). For purposes of calculating a PLC Program payment, an expected national marketing year average (MYA) rough rice price is entered in cell F10. These price and yield values are then used as the midpoints of a rice price and yield range over which net returns above specified production expenses are calculated.

There is an option to enter per unit values for rice drying and hauling charges (in dollars per cwt.), in cells F18 and F19, which would be charged to the producer and landowner in the same share percentages as the crop share. Alternatively, zeros can be entered in cells F18 and F19 and a per acre charge for drying and/or hauling costs can be entered in the production cost table along with a value for the percent of this cost paid by the landowner, in a similar fashion as the other rice production costs are entered.

This Excel spreadsheet decision tool can be downloaded from the LSU AgCenter Rice Economics web page, and can be saved and used on any desktop or laptop personal computer. The web address for the LSU AgCenter is: www.lsuagcenter.com. A copy of this user's guide along with the spreadsheet decision aid Excel file can also be obtained by contacting the authors by email at msalassi@agcenter.lsu.edu or mdeliberto@agcenter.lsu.edu.



Complete Rice Rental Arrangement Net Return Evaluation Model Spreadsheet

4/7/2014

Estimated Rice Net Returns With the "Price Loss Coverage (PLC) Program" in the 2014 Farm Bill

Cell values in blue for price, yield, costs, and other factors can be changed by the user.

Values in the table represent net returns above specified costs per planted rice acre. Positive net return values are highlighted in yellow.

Estimation of Rice Grower and Landlord Net Returns Above Specified Costs per Planted Rice Acre					Projected Rice Production		Percent of Costs Paid By:	
Land Tract Name/Number = Rice Land Tract No. 1					Costs Per Planted Acre		Landlord	Grower
Expected Farm Level Rice Price =	\$14.80	per cwt.	\$23.98	per barrel	Custom	\$60	0%	100%
Expected Farm Level Rice Yield =	6,800	lbs./acre	42.0	barrels/acre	Fertilizer	\$125	0%	100%
Expected National MYA Rice Price =	\$14.50	per cwt.	\$23.49	per barrel	Herbicides	\$40	0%	100%
Rice Share Rent =	30%	crop share			Fungicides, Insecticides	\$40	0%	100%
Rice Cash Rent =	\$0	per planted rice acre			Seed	\$75	0%	100%
Drying and hauling rates entered below will be charged to the grower and the landlord for their proportionate crop shares.					Labor	\$15	0%	100%
Rice Drying Charge	\$1.00	\$/cwt. (dry yield basis)			Fuel & Repairs	\$55	0%	100%
Rice Hauling Charge	\$0.30	\$/cwt. (dry yield basis)			Irrigation Pumping	\$190	100%	0%
To enter alternate charges for drying and/or hauling, enter zero values in the cells above and enter a cost per acre in the cost table to the right					Other Variable Costs	\$50	0%	100%
Price Loss Coverage (PLC) Reference Price = \$14.00 per cwt.					Other Variable Costs	\$0	0%	100%
Updated Rice Program Yield = 5,700 lbs./program acre					Fixed Costs	\$100	0%	100%
Rice Acres Planted on this tract = 85 planted acres					Overhead Costs	\$0	0%	100%
Total Rice Base Acres on this tract = 100 rice base acres					Other Costs	\$0	0%	100%
					Other Costs	\$0	0%	100%

(Farm program payments are shared with landlord only for crop share lease arrangements; no payment share under cash leases)					Total Specified Costs	\$750	per planted rice acre	
					Proportionate total specified costs =>	\$190	\$560	

Expected Farm Level Rice Price	Expected Nat. MYA Rice Price	Estimated Grower Net Returns Above Specified Costs Per Planted Rice Acre										Price Loss Coverage PLC Program Payment Rate
(\$/cwt)	(\$/cwt)	Rice Yield (lbs/acre)										(\$/program yield cwt)
		5,800	6,050	6,300	6,550	6,800	7,050	7,300	7,550	7,800		
\$13.05	\$12.75	-\$33	-\$13	\$8	\$29	\$49	\$70	\$90	\$111	\$131		\$1.25
\$13.30	\$13.00	-\$33	-\$12	\$9	\$30	\$51	\$72	\$93	\$114	\$135		\$1.00
\$13.55	\$13.25	-\$33	-\$11	\$10	\$32	\$53	\$74	\$96	\$117	\$139		\$0.75
\$13.80	\$13.50	-\$33	-\$11	\$11	\$33	\$55	\$77	\$99	\$121	\$142		\$0.50
\$14.05	\$13.75	-\$32	-\$10	\$12	\$35	\$57	\$79	\$102	\$124	\$146		\$0.25
\$14.30	\$14.00	-\$32	-\$9	\$13	\$36	\$59	\$82	\$104	\$127	\$150		\$0.00
\$14.55	\$14.25	-\$22	\$1	\$24	\$48	\$71	\$94	\$117	\$140	\$163		\$0.00
\$14.80	\$14.50	-\$12	\$12	\$35	\$59	\$83	\$106	\$130	\$153	\$177		\$0.00
\$15.05	\$14.75	-\$2	\$22	\$46	\$70	\$95	\$119	\$143	\$167	\$191		\$0.00
\$15.30	\$15.00	\$8	\$33	\$57	\$82	\$106	\$131	\$155	\$180	\$204		\$0.00
\$15.55	\$15.25	\$19	\$43	\$68	\$93	\$118	\$143	\$168	\$193	\$218		\$0.00
\$15.80	\$15.50	\$29	\$54	\$79	\$105	\$130	\$156	\$181	\$206	\$232		\$0.00
\$16.05	\$15.75	\$39	\$65	\$90	\$116	\$142	\$168	\$194	\$220	\$245		\$0.00
\$16.30	\$16.00	\$49	\$75	\$102	\$128	\$154	\$180	\$207	\$233	\$259		\$0.00
\$16.55	\$16.25	\$59	\$86	\$113	\$139	\$166	\$193	\$219	\$246	\$273		\$0.00

Net return estimates include Price Loss Coverage Program payments on 85% of total rice base acres

Expected Farm Level Rice Price	Expected Nat. MYA Rice Price	Estimated Landlord Net Returns Above Specified Costs Per Planted Rice Acre										Price Loss Coverage PLC Program Payment Rate
(\$/cwt)	(\$/cwt)	Rice Yield (lbs/acre)										(\$/program yield cwt)
		5,800	6,050	6,300	6,550	6,800	7,050	7,300	7,550	7,800		
\$13.05	\$12.75	\$36	\$45	\$53	\$62	\$71	\$80	\$89	\$98	\$106		\$1.25
\$13.30	\$13.00	\$36	\$45	\$54	\$63	\$72	\$81	\$90	\$99	\$108		\$1.00
\$13.55	\$13.25	\$36	\$45	\$54	\$64	\$73	\$82	\$91	\$100	\$109		\$0.75
\$13.80	\$13.50	\$36	\$45	\$55	\$64	\$74	\$83	\$92	\$102	\$111		\$0.50
\$14.05	\$13.75	\$36	\$46	\$55	\$65	\$74	\$84	\$94	\$103	\$113		\$0.25
\$14.30	\$14.00	\$36	\$46	\$56	\$65	\$75	\$85	\$95	\$104	\$114		\$0.00
\$14.55	\$14.25	\$41	\$50	\$60	\$70	\$80	\$90	\$100	\$110	\$120		\$0.00
\$14.80	\$14.50	\$45	\$55	\$65	\$75	\$85	\$96	\$106	\$116	\$126		\$0.00
\$15.05	\$14.75	\$49	\$60	\$70	\$80	\$91	\$101	\$111	\$121	\$132		\$0.00
\$15.30	\$15.00	\$54	\$64	\$75	\$85	\$96	\$106	\$117	\$127	\$138		\$0.00
\$15.55	\$15.25	\$58	\$69	\$79	\$90	\$101	\$111	\$122	\$133	\$143		\$0.00
\$15.80	\$15.50	\$62	\$73	\$84	\$95	\$106	\$117	\$128	\$138	\$149		\$0.00
\$16.05	\$15.75	\$67	\$78	\$89	\$100	\$111	\$122	\$133	\$144	\$155		\$0.00
\$16.30	\$16.00	\$71	\$82	\$94	\$105	\$116	\$127	\$139	\$150	\$161		\$0.00
\$16.55	\$16.25	\$75	\$87	\$98	\$110	\$121	\$133	\$144	\$155	\$167		\$0.00

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Data Input Section

1	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
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Data to be Entered: (cell values highlighted in blue can be changed by the user)

- Cell F7 Land tract reference name or number
- Cell F8 Expected farm level rough rice price (in dollars per cwt.)
- Cell F9 Expected farm level rough rice yield (in pounds per acre, dry yield basis)
- Cell F10 Expected national marketing year average (MYA) rough rice price (in dollars per cwt.)
(these price and yield values will be used as the midpoints of a range of market prices and rice yields used to calculate net return values in the tables below)
- Cell F12 Landlord crop share percentage under a rice share lease arrangement (percent)
- Cell F13 Cash rent paid under a rice cash lease arrangement (dollars per planted acre)
(only one of these two cells should contain a nonzero value;
for owned land, enter a zero value in both cells)
- Cell F18 Rice drying charge (in dollars per cwt., dry yield basis)
- Cell F19 Rice hauling charge (in dollars per cwt., dry yield basis)
- Cell G22 Price Loss Coverage (PLC) rice reference price (\$14.00 per cwt.)
- Cell G23 Updated rice program yield (in pounds per program acre)
- Cell G24 Number of rice acres planted on this tract (acres)
- Cell G25 Number of total rice base acre on this tract (acres)
- Cells K9-K25 Specified rice production cost category names
- Cells L9-L25 Projected rice production cost per planted acre (dollars per acre)
- Cells M9-M25 Percent of rice production cost paid by the landlord (percent)

Based on the information entered for percent of production costs paid by the landlord, the percentage of specified production costs paid by the rice grower will be automatically calculated and shown in cells N9-N25. Total specified rice production costs entered will be summed in cell L26, with the specific proportionate share dollar amounts of that total cost paid by the rice grower and landlord shown in cells M27 and N27, respectively.

Rice Grower Estimated Net Return Section

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
28			Expected	Expected														
29			Farm Level	Nat. MYA	Estimated Grower Net Returns Above Specified Costs Per Planted Rice Acre										Price Loss Coverage			
30			Rice Price	Rice Price														
31			(\$/cwt)	(\$/cwt)														
32			\$13.05	\$12.75		5,800	6,050	6,300	6,550	6,800	7,050	7,300	7,550	7,800				
33			\$13.30	\$13.00														
34			\$13.55	\$13.25														
35			\$13.80	\$13.50														
36			\$14.05	\$13.75														
37			\$14.30	\$14.00														
38			\$14.55	\$14.25														
39			\$14.80	\$14.50														
40			\$15.05	\$14.75														
41			\$15.30	\$15.00														
42			\$15.55	\$15.25														
43			\$15.80	\$15.50														
44			\$16.05	\$15.75														
45			\$16.30	\$16.00														
46			\$16.55	\$16.25														
47																		
48																		

Net return estimates include Price Loss Coverage Program payments on 85% of total rice base acres

The first table presents estimates of net returns above specified costs for the rice grower on a per planted rice acre basis. Expected rough rice market price and yield values, entered in cells F8, F9 and F10 are listed in this net return table as the midpoints in cells I31, C39 and D39. The specific estimated net return above specified costs value per planted acre for the rice grower based on these specific expected values of price and yield entered is shown in the box in cell I39. Estimated Price Loss Coverage (PLC) Program payment rates for specified rice national MYA prices are listed in column in cells O32-O46. Over the range of rough rice market prices and yields shown in the table, net return values which are positive for the rice grower are highlighted in yellow.

Rice Landowner Estimated Net Return Section

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
49			Expected	Expected														
50			Farm Level	Nat. MYA	Estimated Landlord Net Returns Above Specified Costs Per Planted Rice Acre										Price Loss Coverage			
51			Rice Price	Rice Price														
52			(\$/cwt)	(\$/cwt)														
53			\$13.05	\$12.75		5,800	6,050	6,300	6,550	6,800	7,050	7,300	7,550	7,800				
54			\$13.30	\$13.00														
55			\$13.55	\$13.25														
56			\$13.80	\$13.50														
57			\$14.05	\$13.75														
58			\$14.30	\$14.00														
59			\$14.55	\$14.25														
60			\$14.80	\$14.50														
61			\$15.05	\$14.75														
62			\$15.30	\$15.00														
63			\$15.55	\$15.25														
64			\$15.80	\$15.50														
65			\$16.05	\$15.75														
66			\$16.30	\$16.00														
67			\$16.55	\$16.25														
68																		
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The second table presents estimates of net returns above specified costs for the rice landowner on a per planted rice acre basis. Expected rough rice market price and yield values, entered in cells F8, F9 and F10 are listed in this net return table as the midpoints in cells I52, C60 and D60. The specific estimated net return above specified costs value per planted acre for the landowner based on these specific expected values of price and yield entered is shown in the box in cell I60. Estimated Price Loss Coverage (PLC) Program payment rates for specified rice national MYA prices are listed in column in cells O53-O67. Over the range of rough rice market prices and yields shown in the table, net return values which are positive for the landowner are highlighted in yellow.